The Incorporated Accountants' Journal

The Official Organ of
The Society of Incorporated Accountants and Auditors

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Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

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Professional Notes.

WE are now in a position to publish the programme arranged in connection with the International Congress on Accounting which will be held in London during the week commencing Monday, July 17th. At a meeting of the Executive Committee on January 12th, Lord Plender was appointed President of the Congress and Sir James Martin Vice-President. The Headquarters of the Congress will be at Grosvenor House, Park Lane, W.1. Other particulars may be learned from the official letter despatched by the Secretary of the Congress, Hon. George Colville, to accredited delegates of participating bodies of accountants and other accountants abroad to whom an invitation is extended. The Assistant Secretaries of the Congress will be Mr. R. W. Bankes (Institute of Chartered Accountants) and Mr. A. A. Garrett (Society of Incorporated Accountants and Auditors).

At the annual general meeting of Barclays Bank, the chairman (Mr. F. C. Goodenough) discussed at some length the present financial and economic position, dealing amongst other matters, with the industrial situation, the question of inflation, the outlook under protection, the American debt, and the sterling exchange. He said there were some slight signs of improvement at home in a number of our industries, but the indications were that the process of recovery would be slow and that the smaller industries, where there were fewer labour restrictions and greater personal contact between employer and employed, were likely to be the first to show an improvement.

In dealing with the problem of the American debt, Mr. Goodenough said it was necessary between countries, as between individuals, that it must be regarded as a fundamental principle at all times that the creditor must not make payment impossible and that accordingly if America wished to receive payment she must accept it in the only way in which payment could be made, namely, in goods. His opinion was that America sooner or later would have to adjust her economic policy or forego the whole or some part of the debts due to her. Great Britain, he said, had made full use of her great resources and her financial earnings in carrying out the principle stated above by lending money abroad, and her free trade policy had enabled her debtors to pay the interest and service of the debts due to her through free sales of their goods in the British market. In this connection he recalled the Bankers' Manifesto of 1926, from which he quoted the following extract:—

"Trade is not war, but a process of exchange; that in time of peace our neighbours

are our customers, and that their prosperity is a condition of our own well-being. If we check their dealings, their power to pay their debts diminishes, and their power to purchase our goods is reduced. Restricted imports involve restricted exports, and no nation can afford to lose its export trade."

The recent change in British policy with regard to tariffs, Mr. Goodenough said, was due to the failure on the part of other countries to arrest the increase of their own tariff walls and the need to maintain our balance of payments and prevent this country from being a dumping ground for the surplus productions of the rest of the world. It was necessary, however, to avoid the mistake which America had made and to see that any tariffs which it was necessary to impose were so regulated as to present no obstacle to our debtors in the discharge of their liabilities. In other words, our objective continually should be to aim at freer trade.

As we go to press we learn with profound regret of the death of Mr. Arthur Neal, of Sheffield. He was one of the best known solicitors in that city, President of the Sheffield Chamber of Commerce, and an Alderman of the City Council. For more than 40 years Mr. Arthur Neal was seldom absent from any public gathering of Incorporated Accountants in Sheffield, and he will be greatly missed as a wise counsellor and a steadfast friend, not only in his own profession, but in commercial and other circles. From 1918 to 1922 he was M.P. for the Hillsborough Division of Sheffield, and held office in the Coalition Government of that period as Parliamentary Secretary to the Ministry of Transport.

What is an office of profit? This was the point at issue in the recent case of *Henry (Inspector of Taxes)* v. *Galloway*. Mr. Galloway was in receipt of director's fees free of tax, but in August, 1929, he informed the secretary of the company that he did not intend to accept his fees unless the debenture interest was paid. The debenture interest was not paid and Mr. Galloway received no remuneration from May 31st, 1929. The Inland Revenue Authorities claimed that for the year 1930-31 he was liable to Income Tax on the actual amount of fees received during the year ended April 5th, 1930, with the addition of the tax paid by the company on his behalf for the year 1929-30. Mr. Galloway maintained that he had ceased to hold an office of profit as from August, 1929, and brought the matter before the Commissioners, who upheld his contention.

The Crown appealed, and the case has now come before Mr. Justice Finlay. His Lordship pointed out that while the decision of the Commissioners as regards the facts was final, it could not be concluded from the facts as found in this case that the office had ceased to be an office of profit. An office of profit did not cease to be such merely because in any year there was no remuneration. He accordingly allowed the appeal.

If the director in this case receives similar income again he will be recouped by being charged no tax in respect of the first year in which the payment of fees is resumed, but if he never receives any more remuneration from the company he will undoubtedly suffer hardship as he will have paid tax for one year on income he has never received. It will be remembered that representations were made in Parliament on this point during the discussion on the Finance Bill last year.

The question whether a block of buildings containing dining rooms, kitchen and dressing rooms connected to a factory by bridges and a covered way, constitute a part of the factory premises for the purpose of having the gross instead of the net assessment allowed for Income Tax purposes, came before Mr. Justice Finlay last month in an appeal from the decision of the Commissioners in the case of *Cadbury Bros. Limited*, v. *Sinclair (Inspector of Taxes)*. The whole of the premises, including this block, had been assessed as one unit, and the company contended that it could not be sub-divided so as to form two separate units of assessment for Income Tax purposes. The Crown, on the other hand, contended that a dining block was not "a mill, factory, or other similar premises" within the meaning of the Act, and that there was no reason why the unit should not be split as in the case of a dwelling house under Rule 3 (*c*) of Schedule D; but his Lordship, in giving judgment for the company, said that if premises could be split up in that fashion very great difficulties would arise. He therefore thought that the word "premises" in Rule 5 (2) of the Rules applicable to Cases I and II of Schedule D meant the assessable unit, which in the present case included the dining block.

It has generally been considered that under the provisions of sect. 266 of the Companies

Act, 1929, the issue of debentures for cash was always a safe proceeding. It appears, however, that this now requires some qualification. In the case of *Re Mathew Ellis, Limited*, Mr. Justice Eve had before him an application by the liquidator of the company for a declaration that a debenture which had been issued for cash was in part either a fraudulent preference or in other respects invalid. The circumstances were that the company purchased the greater part of their stock from T. & Co. Limited, one of the directors of which was their own chairman. The company issued a debenture to him for £8,000, being at the time indebted to T. & Co. for £1,954 for goods supplied. The debenture was paid for in cash at the date of its issue, and the proceeds were utilised partly to pay off the £1,954, and the balance was used in the business of the company generally.

Under the provisions of sect. 266 above referred to it is set forth that a floating charge on the undertaking of a company created within six months of winding up shall be invalid except to the amount of any cash paid to the company at the time of the issue, unless it is proved that the company was solvent immediately after the creation of the charge. His Lordship said that in a previous case the restrictions contained in the section had been held not to extend to cash absolutely and unconditionally paid to the company, but with that he was not prepared to agree. Money might properly be advanced, he said, to a company on security, provided it was not to be applied to the payment of past debts. The £1,954 in this case, however, was a payment of a past debt, and accordingly the £8,000 debenture in his view was valid only as a security for the difference of £1,046.

The final report of Messrs. Price, Waterhouse and Co. in relation to the affairs of the late Mr. Kreuger deals with the five companies which he used as vehicles for obtaining money, namely Kreuger & Toll, the International Match Corporation, the Swedish Match Company, N. V. Kreuger and Toll, Amsterdam, and the Continental Investment Company. Dealing with these companies as a whole, the report states that the profit shown amounted to 1,179,357,000 Kr., while the real net profits after allowing for inter-company items totalled only 150,962,000 Kr., so that the published profits exceeded the real profits by over 1,000,000,000 Kr., equal to about £56,000,000. The report adds that the accounts were manipulated as far back as 1917, and that the frauds could not have been possible without the conscious or unconscious assistance of associates.

About the middle of last month the Chancellor of the Exchequer announced a further relaxation of the embargo on the raising of new capital, by which the restrictions previously existing were withdrawn except in the following cases :—

1. Foreign issues, *i.e.*, issues on behalf of borrowers domiciled outside the Empire of issues the proceeds of which would be remitted directly or indirectly to countries outside the Empire ; and
2. The optional replacement of existing issues by new issues if those new issues rank as trustee securities and involve either underwriting or an invitation to the public to subscribe new cash.

At the same time the Chancellor asked that no issue ranking as a trustee security should be made without previous agreement with the Bank of England regarding the amount and the date of the issue. The object in view is to co-ordinate the requirements of intending borrowers and so prevent possible congestion of the market.

In connection with the Chancellor's announcement, a proposed deal whereby a controlling interest in Boots Drug Pure Company was about to be acquired from American holders has been suspended at the instance of the Treasury. The action taken was obviously on the ground that the transaction would have involved directly or indirectly a large remittance from this country to America.

The Gilbart Lectures on Banking are again being delivered by Mr. Robert Walter Jones, of the Head Office of the Westminster Bank. In the first lecture of the series he discusses very fully the position with regard to Bank Guarantees and explains the reasons for the somewhat elaborate nature of the usual form of guarantee which banks require. For instance, he points out that there cannot strictly be a guarantee of an infant's debt on account of the fact that the guarantor would have no right of action against the infant if he discharged the liability. He accordingly recommends that in these circumstances the guarantor should be told that his liability is not collateral but direct ; in other words, that he is regarded as a principal and not a surety. Some banks embody this in their standard form of guarantee.

In the case of a guarantee by a woman he advises that great care should be exercised to ensure that the lady clearly understands the

nature of the document she is signing, and that notwithstanding the enlargement of a woman's status economically and politically during the last half century, "the presumption of law is that she is incapable of understanding a business transaction by the exercise of her own wit when it is to her advantage not to understand."

Another object of a bank guarantee, he points out, is to enable the bank, in the event of the debtor becoming insolvent, to prove in the bankruptcy for the whole amount of the debt and to safeguard the bank's interests in other directions. He adds that "a guarantee would be a very embarrassing form of banking security if a surety were left in possession of all his legal rights, and accordingly the modern form of bank guarantee is specially drafted to give a banker the utmost freedom of action and to take away from the guarantor all those rights and remedies that would be likely to conflict with the bank's interests." This is a very candid statement and it is evident that guarantors should consider very carefully the effect of the documents which they sign.

The three State-controlled thrift institutions, namely the Post Office Savings Bank, the Trustee Savings Bank, and the National Savings Certificates department, held at the end of March, 1932, on behalf of investors, a total amount of £1,163,438,000, which represented an increase of over £7,000,000 as compared with the preceding year. Of these funds, £477,000,000 were invested in National Savings Certificates, £503,787,000 in the Post Office Savings Bank, and £182,651,000 in the Trustee Savings Bank. There was a decline of £19,000,000 in the amount outstanding on Savings Certificates, but a good deal of the money so withdrawn appeared to have been invested in other Government securities.

The Attorney-General, speaking at the annual meeting of the Bar, referred to the two-thirds rule as regards Counsel's fees and said, now that the rule had been modified, he hoped it would be recognised in the interests of the junior members of the Bar that they should receive adequate remuneration for preliminary work in litigation; and Sir Herbert Cunliffe, the Chairman of the Bar Council, added that the Bar as a whole regarded the rule as fundamentally sound and one which ought not to be further encroached upon. He also advocated an increase in the fees for preliminary and interlocutory work, which, he said, ought to be put right as soon as conditions were propitious.

SUR-TAX ON PROFIT RENTALS.

IT was decided in the Salisbury House case that the excess of rents over Schedule A assessments was not liable to Income Tax, and the question whether dividends paid out of such profits are liable to Sur-tax in the hands of a shareholder came before the Court of Appeal recently in the case of *Neumann* v. *Commissioners of Inland Revenue*. Pending the decision of the House of Lords, Salisbury House Estate Limited created a reserve for the possible Income Tax liability, and when it was ascertained that there was in fact no such liability this was distributed as a dividend to the shareholders, of whom Mr. Neumann was one, the amount which he actually received being £4,275. This was stated by the company to be a dividend of 5 per cent. free of tax, representing a gross amount of £5,343 less Income Tax at 4s. in the pound. A month later it was decided in the case of *Gimson* v. *Commissioners of Inland Revenue* that a dividend paid by a company out of profits which were not assessable to Income Tax was not liable to Super Tax in the hands of the shareholders. Salisbury House Estate Limited endeavoured without success to convince the Inland Revenue Authorities that this decision was applicable to their case, and issued a letter to their shareholders stating that they were now advised that the statement which accompanied the dividend was incorrect and that the dividend should have been shown as £4,275 gross and net; further that the dividend was not liable to Sur-tax as it represented a distribution of untaxed income, but that the Inland Revenue Authorities did not agree with this view. On receipt of this information Mr. Neumann objected to the Sur-tax assessment made upon him, which included the sum of £5,343 in respect of the dividend, and gave notice of appeal. The case was heard by the Special Commissioners, who upheld the assessment. Mr. Justice Finlay, however, reversed their decision, and the matter has now come before the Court of Appeal.

The Master of the Rolls, in delivering judgment, pointed out that confusion appeared to have arisen as the result of the system of deduction of tax from dividends and from overlooking the fact that a company and a shareholder were separate entities. He considered that it was incorrect to state that the surplus of rents over the Schedule A assessments, out of which the dividend in question had been paid, was exempt from Income Tax, as the whole of the company's income had suffered its appropriate charge to Income Tax, although in this case the statutory

basis of assessment under Schedule A was not the full amount of rents received but the annual values. At the same time he saw no reason to "gross up" the sum of £4,275 which Mr. Neumann had received, and held that the amount to be included in his statement of total income for Sur-tax purposes was the sum of £4,275 without any addition. It is not very obvious why the assessment should have been restricted to £4,275. It would appear that if the dividend was paid out of "profits or gains brought into charge" the company would have the right under sect. 7 of the Finance Act, 1931, to deduct Income Tax, or alternatively the dividend paid would be deemed to represent income of such an amount as after deduction of tax would be equal to the net amount received. In either case the amount to be included by Mr. Neumann for Sur-tax purposes would have been the gross amount of £5,343.

The line which the Court seems to have taken is that, the company and the shareholder being separate entities, there is no necessity to show that all the income received by the shareholder from the company has necessarily borne income tax, but only that the company as such has borne the appropriate Income Tax upon the whole of its statutory profits, and that consequently all income derived from the company must be regarded as taxed income. But here arises the inconsistency, viz., that the Court has not regarded the amount of £4,275 as taxed income but as gross income. If it is gross income then it has not borne income tax, and as Sur-tax is an additional income tax it would not appear to be assessable to Sur-tax. On the other hand, if it is net income it ought to be "grossed up" and assessed on the higher figure of £5,343.

PERSONAL LIABILITY OF DIRECTORS FOR DEBTS.

A DIRECTOR is an agent for the company for which he acts. He enters into contracts for the company, viz., his principal; he cannot sue on such contracts nor be sued on them unless he exceeds his authority, *i.e.*, when he acts as a principal, or does any wrongful act which does not in any case bind the company. The company then is only liable for the acts of a director when such acts are *intra vires* and lawful.

By sect. 275 (1) of the Companies Act, 1929, it is provided that if in the course of the winding up of a company it appears that any business of the company has been carried on with intent to defraud creditors of the company, or creditors of any other person, or for any fraudulent purpose, the Court, on the application of the Official Receiver, or the liquidator, or any creditor or contributory of the company, may, if it thinks proper so to do, declare that any of the directors, whether past or present, who were knowingly parties to the fraudulent carrying on of the business shall be personally responsible for all the debts or other liabilities of the company, without any limitation of liability. The provisions of the section are to have effect notwithstanding that the person concerned may be criminally liable, and where the declaration is made in the case of a winding up in England, it is to be regarded as a final judgment within the meaning of sect. 1 (1) (*g*) of the Bankruptcy Act, 1914.

The section is new, and is not taken from the Bankruptcy Act, and may possibly give rise to considerable difficulties in construction. Apparently it is a punitive provision, and the Court, on making a declaration that a director is personally responsible for all or any of the debts or other liabilities of the company, may in its discretion make an order not limiting his liability to the amount of the debts due to creditors held to be defrauded within the meaning of the section. Last year, in connection with the affairs of *William C. Leitch Brothers, Limited*, Mr. Justice Maugham held that the declaration of liability should state the amount for which the director is liable, and that a company carrying on business and incurring debts which to the knowledge of the directors there was no reasonable prospect of paying, might, in general, be inferred to be carrying on business with intent to defraud creditors within the meaning of sub-sect. 1. The respondent in this case formed the company and created a debenture for £4,000 in favour of himself, in circumstances in which the company had, for practical purposes, no assets whatever. Between January and May, 1930, the respondent, as governing director, ordered goods greatly in excess of what was required for the company's business and of what had generally been ordered for the company over a like period. A person who orders goods on a company's behalf when there is no possibility of the company paying for them is carrying on business with intent to defraud the company's creditors.

Some indication of what "fraud" means is afforded by sect. 13 of the Debtors Act, 1869, in relation to which it was held in *Rex* v. *Thompson* (1910) that the words "by means of any other fraud" meant that a person obtaining goods and never intending to pay for them was guilty of fraud other than false pretences.

Sub-sect. 1 does not in terms empower the Court to determine whether the director against whom a declaration of personal responsibility without limitation of liability is sought, has been guilty of being knowingly a party to carrying on any business of the company for any fraudulent purpose. Probably, however, this power is implied in sub-sect. 6. The latter part of sub-sect. 6, which follows the wording of sub-sect. 3 of sect. 276, substituting "declaration" for "order," seems to support the view that the liability of the director under a declaration made under sect. 275 (1) is a liability to the company. A declaration under sect. 275 (1) that a director is to be personally responsible for all the debts of the company, without naming the individual creditors or the amounts owing to them could hardly be deemed to be, or be converted into, a number of final judgments in favour of the individual creditors of the company within the meaning of sect. 1 (1) (*g*) of the Bankruptcy Act, 1914, upon which they could issue bankruptcy notices. Buckley remarks that even if the liability is a single liability to the company, it is not readily apparent how the difficulty as to there being no judgment or order for payment of any definite amount as contemplated by the Bankruptcy Act, is to be surmounted.

Incorporated Accountants' Year Book.

The *Incorporated Accountants' Year Book for* 1933 is now issued. It contains the names of 5,910 members, of which 1,449 are Fellows, 4,458 Associates, and 3 Honorary Members, 2 of the Fellows being also Honorary Members. There is an alphabetical list of members and firms, and also a topographical list under the names of the cities and towns in which the members practise. Both of these lists contain also the names of firms, one or more members of which are Incorporated Accountants. At the end of the book appears a summary of the topographical list showing the distribution of the membership in England and Wales, Scotland, Ireland, the British Dominions, Colonies, and foreign countries. Particulars are likewise given of the Branches, District and Students' Societies and of the Benevolent Fund, together with a copy of the Memorandum and Articles of Association of the Society and the Bye-Laws of the Council.

The Institute of Arbitrators.

The Institute of Arbitrators will hold a Practice Arbitration at Incorporated Accountants' Hall on February 15th, at 6 p.m. The subject is "A Building Dispute," being a claim for extra cost of executing foundation works. The award will be made immediately after the hearing, and it is hoped that there will be time for a discussion.

Non-members of the Institute are invited. No tickets of admission are required, but those who intend to be present are requested to notify the Secretary of the Institute of Arbitrators, 10, Norfolk Street, London, W.C.2, not later than February 13th, in order that adequate arrangements may be made.

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held in Incorporated Accountants' Hall on January 25th, when there were present:—Mr. E. Cassleton Elliott (President) (London), in the chair; Mr. R. Wilson Bartlett, J.P. (Vice-President) (Newport, Mon.), Mr. R. M. Branson (Leicester), Mr. Henry J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Frederick Holliday (Leeds), Mr. Walter Holman (London), Mr. Thomas Keens, D.L. (London and Luton), Mr. Edmund Lund, M.B.E. (Carlisle), Sir James Martin, J.P. (London), Mr. Henry Morgan (London), Mr. James Paterson (Greenock), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester). Mr. Percy Toothill (Sheffield), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. F. Woolley, J.P. (Southampton), Mr. J. R. W. Alexander, M.A., LL.B. (Standing Counsel), Mr. Ernest E. Edwards, B.A., LL.B. (Parliamentary Secretary), and Mr. A. A. Garrett, M.A., B.Sc., F.C.I.S. (Secretary).

Apologies for non-attendance were received from Mr. Arthur Collins, Mr. E. T. Kerr, Mr. C. Hewetson Nelson, J.P., Mr. W. H. Payne, Mr. G. S. Pitt, Mr. J. Stewart Seggie, Mr. Alan Standing, Mr. A. H. Walkey, Mr. Frederic Walmsley, J.P., Mr. Richard A. Witty, and Mr. A. E. Woodington.

The Secretary reported the death of the following members:—

Mr. Horace Wilfrid Bowring (Associate), Leeds; Mr. Frederick John Burnett (Fellow), Southampton; Mr. Charles Haigh Cooper (Fellow), Manchester; Mr. Walter Ernest Goldby (Fellow), Johannesburg; Mr. George Frederick Grimshaw (Associate), Manchester; Mr. William Hughes (Fellow), Sunderland; Mr. Herbert Matthew James (Fellow), Coventry; Mr. Robert Montgomery Laws (Fellow), Luton; Mr. John Marshall McEwen (Associate), London; Mr. Peter Campbell McAuslan (Associate), Ayr; Mr. Stanley Wyatt Marshall (Fellow), Herne Bay; Mr. James Henry Pontefract (Associate), Manchester; Mr. Ernest George Shorrock (Fellow), Washington, U.S.A.; Mr. Henry Steele (Fellow), Manchester; Mr. Christopher Meikle Vance (Associate), Glasgow; Mr. Francis Gwynne Wheatley (Fellow), Poole.

INTERNATIONAL CONGRESS ON ACCOUNTING.

Mr. Henry Morgan, Vice-Chairman of the Executive Committee, reported the principal items of the programme which had been approved for the meeting to be held in London from July 17th to 22nd next.

FLAG FOR THE SOCIETY.

The Council received from Mr. J. R. W. Alexander, for use at Incorporated Accountants' Hall, a flag bearing the Arms of the Society. The Council expressed their cordial thanks to Mr. Alexander for his gift.

Mr. Ralph Warren, Incorporated Accountant, has been elected a member of the Pembrokeshire County Council for the Central Division of Haverfordwest. The seat was previously held by his father, the late Mr. Frederick J. Warren, Incorporated Accountant.

INTERNATIONAL CONGRESS ON ACCOUNTING, 1933

President : The Rt. Hon. LORD PLENDER, G.B.E., LL.D., F.C.A.

Vice-President : Sir JAMES MARTIN, M.B.E., F.S.A.A. *Secretary :* Hon. G. COLVILLE.

SPONSORING BODIES.

The Society of Accountants in Edinburgh. *President :* Mr. C. J. Shiells, C.A.

The Institute of Accountants and Actuaries in Glasgow. *President :* Sir Thomas Kelly, C.A.

The Society of Accountants in Aberdeen. *President :* Mr. H. H. Bower, C.A.

The Institute of Chartered Accountants in England and Wales. *President Designate :* Mr. H. L. H. Hill, F.C.A.

The Society of Incorporated Accountants and Auditors. *President Designate :* Mr. E. Cassleton Elliott, F.S.A.A.

The Institute of Chartered Accountants in Ireland : *President Designate :* Mr. T. Geoghegan, F.C.A.

The Corporation of Accountants. *President Designate :* Mr. T. H. Hughes, F.C.R.A.

The London Association of Accountants. *President Designate :* Mr. J. McL. Biggar, F.L.A.A.

The following communication has been issued under date, January 20th, 1933 :—

DEAR SIR,—This letter is sent for the information of officially accredited delegates of participating bodies of accountants and of other accountants from abroad to whom an invitation is extended.

The headquarters of the Congress will be Grosvenor House, Park Lane, London, W.1.

The following is the programme of events in connection with the Congress commencing Monday, July 17th, 1933 :—

Monday, July 17th.

11 a.m.	Service at Westminster Abbey. (By kind permission of the Dean.)
	Parties will be conducted over the Abbey after the service.
2.30 p.m.	Presidential address of welcome at Grosvenor House.
9 p.m.	Reception at Grosvenor House.

Tuesday, July 18th.

10 to 11.30 a.m.	Paper on "International Finance." Sir Josiah Stamp, G.B.E., D.Sc., F.S.A.A.
11.30 to 1 p.m.	Paper on "Exchange Fluctuations in relation to Accounting as regards Operating Results and Asset Values." Mr. A. E. Cutforth, C.B.E., F.C.A.
1 to 2.30 p.m.	Luncheon Interval. The Delegates and Accountants from abroad will be entertained at Luncheon at Grosvenor House.
2.30 to 5 p.m.	Paper on "The Control of Charges and Profits of Statutory Undertakings, in (1) Private or (2) Public Ownership and the Accounts relating thereto, *e.g.*, (*a*) Railways ; (*b*) Docks and Harbours ; (*c*) Water ; (*d*) Gas ; (*e*) Electricity ; (*f*) Tramways." Mr. William Cash, F.C.A.
8.30 p.m. (about).	Visit to a Theatre.

Wednesday, July 19th.

10 to 11.30 a.m.	Paper on "Holding and Subsidiary Companies. Accounting Principles involved in the Treatment of Earnings and Valuation of Holdings." Sir Albert Wyon, K.B.E., F.C.A.
11.30 to 1 p.m.	Paper on "Accounting as an Aid to Commerce." Professor W. Annan, C.A. (Professor of Accounting and Business Methods, Edinburgh University).
	Paper on "Mechanical Accounting." Mr. Robert Ashworth, F.C.A., F.S.A.A.
1 to 2.30 p.m.	Luncheon Interval. The Delegates and Accountants from abroad will be entertained at luncheon at Grosvenor House.
2.30 to 5 p.m.	Paper on "Capitalist Combinations in Industry—in the Light of Present-day Needs." Mr. C. Hewetson Nelson, F.S.A.A.
7.30 p.m.	Banquet in Guildhall, E.C.2. (By kind permission of the Lord Mayor and Corporation of London.)

Thursday, July 20th.

Visits will be made to various places of interest, of which further notice will be given.

Arrangements will be made for a golf competition.

In the afternoon Lord and Lady Plender have kindly consented to give a Garden Party at Ovenden House, Sundridge, Kent ; journey by motor coach.

In the evening the accredited Delegates will be privately entertained at dinner by members of the Committee and others.

Friday, July 21st.

10 to 1 p.m.	Papers on "The Auditor's Responsibility in Relation to Balance Sheets and Profit and Loss Accounts from the British, Continental and American

	Points of View." Mr. Henry Morgan, F.S.A.A.; Dr. W. Voss, Wirtschaftspruefer, Berlin; Colonel H. Montgomery, C.P.A., U.S.A.
1 to 2.30 p.m.	Luncheon Interval. The Delegates and Accountants from abroad will be entertained at luncheon at Grosvenor House.
2.30 to 5 p.m.	Paper on "Depreciation and Obsolescence; Methods of Dealing with the same, including Annual Appraisals." Mr. H. G. Howitt, D.S.O., M.C., F.C.A.; Mr. A. S. Fedde, C.P.A., U.S.A.
10 p.m.	Ball at Grosvenor House.

Monday, July 24th, and two following days.

Delegates and accountants from abroad are invited to visit Scotland or Ireland, where they will be entertained by the three Societies comprising the Chartered Accountants of Scotland and the Corporation of Accountants, Glasgow; or by the Institute of Chartered Accountants in Ireland.

PAPERS.

The papers will not be read *in extenso*, but will be summarised by the authors in introductory speeches.

On receiving notice of the names of the officially accredited delegates and accountants from abroad who will attend the Congress, the Committee will issue invitations to open the discussions. Copies of the papers will, so far as is possible, be issued to delegates and accountants from abroad prior to their leaving home for the Congress.

EXCURSIONS.

Details as to entertainments and visits will be issued in due course. It is hoped to be able to arrange visits to Oxford and Cambridge, Windsor Castle, the Port of London, Hampton Court, &c. It is hoped ladies will accompany the visitors, as special arrangements will be made for their entertainment.

HEADQUARTERS.

An office will be established at Grosvenor House (Mount Street entrance), at which delegates and accountants from abroad are requested to report on arrival. This office will be opened on Monday, July 10th, after which date delegates and visiting accountants may have their letters addressed there.

HOTELS.

Delegates and visiting accountants are reminded that the month of July is an exceptionally busy time in London and that they should take early steps to book such accommodation as they may require. When doing so it would be advisable to mention they are attending the Congress, as special terms may be offered. I enclose tariffs and particulars of hotels which are recommended both on account of their reliability and of their proximity to Grosvenor House, where, as previously stated, the meetings will take place.

Yours faithfully,
GEORGE COLVILLE, *Secretary.*

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following promotions in, and additions to, the Membership of the Society have been completed since our last issue :—

ASSOCIATES TO FELLOWS.

ADAMS, ALFRED DUNSTAN, M.C., Stanley House, Hardinge Street, Nairobi, Practising Accountant.

GUPTA, BISHADENDU, B.Sc. (B. Gupta & Co.), Svarnasan, Bankipur P.O., Patna, India, Practising Accountant.

STEWART, JAMES (James Stewart & Steyn), 14-18, United Buildings, 33, Rissik Street, Johannesburg, Practising Accountant.

STEYN, RAYMOND (James Stewart & Steyn), 14-18, United Buildings, 33, Rissik Street, Johannesburg, Practising Accountant.

SYKES, JOHN EDWARD, 30, Estate Buildings, Railway Street, Huddersfield, Practising Accountant.

ASSOCIATES.

ADAMSON, RONALD, Clerk to Bolton, Wawn & Co., 48, West Sunniside, Sunderland.

BRYAN, HUGH TRAFFORD, Clerk to G. Mackeurtan, Son & Crosoer, Old Well Court, 376, Smith Street, Durban, South Africa.

BURDON, WALTER RUSSELL, Clerk to W. Murray Smith & Berend, 378-380, Smith Street, Durban, South Africa.

DOLBY, ERNEST, Clerk to Harvey Ratcliffe, Cavendish Chambers, Lawkholme Crescent, Keighley.

EASTMAN, BARNET, Clerk to H. E. Harwood, 73 and 75, Albion Street, Leeds.

HANNANT, FREDERICK JOHN, Clerk to H. W. West & Co., 618, Romford Road, Manor Park, London, E.12.

HEWAT, IAN MAURICE, Clerk to Robert Fraser, 55, West Regent Street, Glasgow.

KABRAJI, DOSABHOY HIRAJI, B.A., formerly Clerk to Sorab S. Engineer & Co., Morarbhoy Buildings, 45, Apollo Street, Fort, Bombay, India.

MANDVIWALLA, NARIMAN RUTTONJI, formerly Clerk to G. Robertson, Empire House, St. Martin's-le-Grand, London, E.C.1.

MOWFORTH, ALBERT ERIC, Clerk to D. W. H. Phipp & Co., 15, Park Row, Nottingham.

PORTLOCK, CHARLES GROSVENOR, Clerk to Eric Portlock & Co., Bond Street House, 14, Clifford Street, London, W.1.

SANDERS, THOMAS HERBERT, Clerk to P. O. James, 119, Midland Road, Wellingborough.

SIMPSON, WILLIAM STUART, Clerk to William Clark & Stephens, 20, Westgate Chambers, Newport, Mon.

SPENCER, ROY BOWLES, Clerk to Henry Toothill & Son, 9 and 11, Figtree Lane, Sheffield.

WADESON, ARTHUR VICTOR, Clerk to H. W. West & Co., 618, Romford Road, Manor Park, London, E.12.

WEST, DOROTHY NORAH, Clerk to Kilby & Fox, Drury Chambers, Northampton.

WIGG, CYRIL CHARLES, Clerk to Pullbrook & Wright, Manica Chambers, Manica Road, Salisbury, South Africa.

WISHART, JAMES WALKINSHAW, Clerk to Moir, Wood & Co., 3, Kinnoull Street, Perth.

WOOD, ARTHUR DANVERS, Clerk to Buzzacott, Lillywhite & Co., 6A, Church Road, Burgess Hill, Sussex.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

NOVEMBER, 1932.

Final.

Order of Merit.

BRAMWELL, WILLIAM DALE, Clerk to B. Halsey (Halsey & George), Rennie's Buildings, 394, Smith Street, Durban. (*First Prize and First Certificate of Merit, bracketed.*)

SUBTEES, GEOFFREY HUTCHINSON, Clerk to E. C. Cade (Leith, Freake & Cade), 75, Maitland Street, Bloemfontein. (*Second Prize and Second Certificate of Merit, bracketed.*)

Alphabetical Order.

BAKER, HARRY, Clerk to Alex. Thal & Co., United Buildings, 53/55, St. George's Street, Cape Town.

CRAIG, ALAN CAMPBELL, Clerk to J. A. Young (Samuel Thomson & Young), Trust Buildings, Fox Street, Johannesburg.

GLEN, NOEL, Clerk to James Stewart (James Stewart & Steyn), 14/18, United Buildings, 33, Rissik Street, Johannesburg.

HEWITT, PATRICK CHARLES, Clerk to A. D. Hodgson (Douglas, Low & Co.), North British Buildings, Commissioner Street, Johannesburg.

KAPLAN, LOUIS EDWARD, Clerk to H. Daniels & Henochsberg, 104, Commissioner Street, Johannesburg.

LE FEUVRE, EDMOND ERNEST CLAUDE, Clerk to E. R. Syfret (E. R. Syfret & Co.), Corner of Burg and Wale Streets, Cape Town.

MCGOUGH, LESLIE CRAWFORD, Clerk to Deloitte, Plender, Griffiths, Annan & Co., 17/18, Royal Exchange Buildings, Smith Street, Durban.

MARSHALL, WILLIAM ROBERT, Clerk to A. D. Hodgson (Douglas, Low & Co.), North British Buildings, Commissioner Street, Johannesburg.

POLLAK, EDGAR ROBERT, Clerk to F. G. W. Tucker (Carruthers, Tucker & Higgerty), 29, Calcutta House, Loveday Street, Johannesburg.

SANDISON, GEORGE MACKINTOSH, Clerk to P. M. George (Halsey & George), Rennie's Buildings, 394, Smith Street, Durban.

WINEARLS, JAMES ROBERT, Clerk to Gibson, Whiteley & Co., Namaqua House, Greenmarket Square, Cape Town.

(20 *Candidates failed to satisfy the Examiners.*)

Intermediate.

Order of Merit.

MEESER, RONALD DUDLEY, Clerk to A. N. Smith (Deloitte, Plender, Griffiths, Annan & Co.), 201, Consolidated Building, Fox Street, Johannesburg. (*Seventh Place Certificate, bracketed.*)

Alphabetical Order.

AIKEN, ARTHUR STEPHEN, B.A., Clerk to J. G. Carter (Alex. Aiken & Carter), Southern Life Building, Smith Street, Durban.

DUDLEY, JOSEPH GILBERT, Clerk to S. W. Croxford (Collins & Croxford), P.O. Box 403, Salisbury, S. Rhodesia.

DWYER, JOHN MAURICE, Clerk to L. A. Whiteley (Whiteley Bros.), Beresford House, Main Street, Johannesburg.

FARQUHARSON, DONALD CLINTON, Clerk to R. L. M. Warren (Warren & Hofmeyr), P.O. Box 1292, Pretoria.

FINNEMORE, RONALD EDWARD, Clerk to R. Cade (Leith, Freake & Cade), 75, Maitland Street, Bloemfontein.

KIRKLAND, FREDERICK JAMES, Clerk to H. Hyslop (Gibson, Whiteley & Co.), Namaqua House, Greenmarket Square, Cape Town.

NEWSON, EDWARD SERRURIER, Clerk to A. N. Smith (Deloitte, Plender, Griffiths, Annan & Co.), 201, Consolidated Building, Fox Street, Johannesburg.

NORTH, DOUGLAS WILLIAM HERBERT, Clerk to W. R. Fraser (George Mackeurtan, Son & Crosoer), Old Well Court, 376, Smith Street, Durban.

NORTH, PATRICK, Clerk to J. A. Young (Samuel Thomson & Young), Trust Buildings, Fox Street, Johannesburg.

ORPEN, EDWARD HERBERT GRICE, Clerk to H. G. Galbraith (Douglas, Mackelvie & Co.), Sun Building, Corner of St. George's and Longmarket Streets, Cape Town.

RAE, DUNCAN KENNETH, Clerk to S. C. Carruthers (Carruthers, Tucker & Higgerty), 29, Calcutta House, Loveday Street, Johannesburg.

READ, STANLEY HERBERT, Clerk to V. L. Andersson (V. L. Andersson & Co.), 30, North British Building, Commissioner Street, Johannesburg.

ROBERTSON, BASIL LLEWELLYN, Clerk to A. S. Leith (Leith, Freake & Cade), 75, Maitland Street, Bloemfontein.

SHANKS, ANDREW CUNNINGHAM, Clerk to S. L. Deane (Deane & Thresher), S.A. Mutual Buildings, Hoffman Square, Bloemfontein.

SUTHERLAND, FELIX WILLIAM, Clerk to J. H. Elwes Wilson (G. K. Tucker & Wilson), Calcutta House, Loveday Street, Johannesburg.

TAYLOR, JOSEPH MORTON, Clerk to A. H. Berend (W. Murray, Smith & Berend), 378/380, Smith Street, Durban.

THOMAS, EDWARD ARNOLD OAKLEY, Clerk to J. W. Higgerty (Carruthers, Tucker & Higgerty), 29, Calcutta House, Loveday Street, Johannesburg.

WALKER, BRIAN SAMUELSON, Clerk to James Mackelvie (Douglas, Mackelvie & Co.), Sun Building, Corner St. George's and Longmarket Streets, Cape Town.

(12 *Candidates failed to satisfy the Examiners.*)

Preliminary.

Alphabetical Order.

IRISH, DEREK CHARLES, Kilmorey, Glenhove Road, Melrose Estate, Johannesburg.

MILNE, WALTER ALEXANDER, 53, Yeo Street, Yeoville, Johannesburg.

(1 *Candidate failed to satisfy the Examiners.*)

Professional Appointments.

Mr. H. V. Lee, O.B.E., A.S.A.A., has been appointed Chief Financial Officer to the City of Peterborough. Until recently Mr. Lee was with Mr. Arthur Collins, F.S.A.A.

Mr. E. L. Pritchard, A.S.A.A., is leaving the City Treasurer's Department, Salford, to take up the appointment of accountant to the Barry Urban District Council. Before going to Salford in 1930, Mr. Pritchard had experience at Newport (Mon.) and Birmingham.

COMPANY REGISTRATIONS AT SOMERSET HOUSE.

The following statistics relating to New Companies registered in England during the year 1932 have been compiled by Jordan & Sons, Limited, Company Registration Agents, Chancery Lane, London.

Classes.	Public Companies.		Private Companies.		Totals.	
	Number Registered. *	Capital.	Number Registered.	Capital.	Number Registered.	Capital.
		£		£		£
Advertising	1	—	157	182,705	158	182,705
Boots and Shoes	1	2,500	77	318,350	78	320,850
Bricks, Cement, &c.	—	—	85	339,365	85	339,365
Builders	3	25,100	566	1,732,352	569	1,757,452
Carriers	4	2,200	258	598,800	262	601,000
Chemicals	7	401,100	521	6,257,989	528	6,659,089
Clothing	2	30,000	1,082	3,279,071	1,084	3,309,071
Clubs	21	100,350	76	77,149	97	177,499
Drink	1	20,000	65	232,155	66	252,155
Electricity, Gas and Water	11	389,500	503	1,015,750	514	1,405,250
Engineers	2	51,250	558	2,114,113	560	2,165,363
Farmers and Planters	26	2,855,650	98	598,805	124	3,454,455
Food	14	171,900	837	3,994,078	851	4,165,978
Furniture	—	—	289	947,999	289	947,999
Glass and Pottery	2	325,000	74	307,710	76	632,710
Hotels	1	—	98	458,790	99	458,790
Insurance	3	30,500	49	120,700	52	151,200
Investment, Finance and Banks	18	1,656,700	261	8,572,893	279	10,229,593
Jewellery	1	—	75	372,600	76	372,600
Kinemas	7	278,350	217	1,066,159	224	1,344,509
Land and Buildings	6	69,100	474	4,962,325	480	5,031,425
Laundries	—	—	47	207,802	47	207,802
Leather	—	—	101	399,440	101	399,440
Merchants	4	941,500	477	1,890,475	481	2,831,975
Metals	3	465,000	122	936,669	125	1,401,669
Mines and Quarries	16	927,208	102	1,510,506	118	2,437,714
Miscellaneous	17	208,500	282	369,505	299	578,005
Moneylenders	—	—	23	66,450	23	66,450
Motors	2	2,000	479	1,200,991	481	1,202,991
Music	2	61,000	65	189,000	67	250,000
Newspapers	3	960,000	32	66,560	35	1,026,560
Nurserymen	—	—	56	165,051	56	165,051
Nursing	11	—	53	164,455	64	164,455
Oil	—	—	72	1,310,855	72	1,310,855
Photography	1	—	56	69,275	57	69,275
Printers	—	—	161	425,821	161	425,821
Publishers	1	225,000	70	183,107	71	408,107
Rails	1	—	6	12,400	7	12,400
Roads	2	500	28	115,600	30	116,100
Rubber	4	147,050	74	406,660	78	553,710
Schools	4	—	22	43,400	26	43,400
Shipping	5	6,500,100	90	703,400	95	7,203,500
Sports	38	603,200	314	586,654	352	1,189,854
Stationers and Papermakers	2	200	150	1,058,450	152	1,058,650
Textiles	2	60,000	389	1,707,680	391	1,767,680
Theatres	4	115,000	104	270,699	108	385,699
Timber	2	233,000	88	625,425	90	858,425
Tobacco	—	—	66	109,850	66	109,850
Totals (for year 1932)	**255***	**17,858,458**	**9,949**	**52,346,038**	**10,204**	**70,204,496**
Corresponding figures in 1931	*276*	*12,726,321*	*8,109*	*45,493,435*	*8,385*	*58,219,756*
Corresponding figures in 1930	*328*	*45,800,535*	*8,082*	*57,924,827*	*8,410*	*103,725,362*
Corresponding figures in 1929	*623*	*156,192,157*	*8,049*	*73,375,965*	*8,672*	*229,568,122*

* In this column are included 84 "Companies Limited by Guarantee" and "Associations Not for Profit" without Share Capital, such Companies being technically Public however small the membership may be.

A New Industrial Revolution.

A LECTURE delivered before the Incorporated Accountants' District Society of North Staffordshire by

Mr. THOMAS KEENS,

Past President of the Society of Incorporated Accountants and Auditors.

Mr. KEENS said: The House of Commons was at its best in the second week of November, during the non-party, or rather all-party, debate on Unemployment. The resolution was non-committal, and does not, of course, take us much further:—"That this House views with concern the present volume of unemployment and will welcome all proper measures to deal with it."

The object of this paper is to bring the subject before you, with emphasis in one particular direction, although I do not suggest that it is the whole case.

STATISTICS OF UNEMPLOYMENT.

I want to call your attention to a few important figures. One could easily multiply tables, but the references will enable those who want to study the question more closely to read up and check the summary figures.

STATISTICS OF UNEMPLOYMENT.

SHOWING THE PERCENTAGE INCREASE FROM SEPTEMBER, 1931, TO SEPTEMBER, 1932, TAKEN FROM THE FIGURES ISSUED BY THE INTERNATIONAL LABOUR OFFICE.

	Percentage Unemployed.			
Compiled from Returns in connection with compulsory Insurance.	*Sept., 1931.*		*Sept., 1932 (or latest available).*	*% Increase on actual numbers unemployed. 1931-2.*
Austria	16.2		22.1	36.5
Germany	22.8		27.0	17.2
Great Britain and N. Ireland ...	22.6		22.9	1.5
Compiled from Returns in connection with Voluntary Insurance.				
Belgium	26.7	August	39.4	71.3
Netherlands	15.7	August	31.7	121.4
Switzerland	15.2	June	18.4	21.1
Compiled from Trade Union Returns.				
U.S.A.	19.4		24.9	28.4
Australia	28.3	June	30.0	2.8
Canada	18.1	August	21.4	7.1
Sweden	14.0	August	20.0	48.8
Czecho-Slovakia	6.7	August	12.5	103.3
Denmark	12.1		30.4	166.0

From the foregoing, various facts emerge:—

That the disease is widespread—almost universal;

that unemployment is coincident, for the most part, with a continued extension of industrialisation;

that there appears to be some factor common to all countries.

THE FALL IN PRICES AND UNEMPLOYMENT.

For many years we have heard the proposition that large production means cheap production, cheap production means increased demand, and so again increased and cheaper production. I wonder how many of us would be prepared to state the proposition in the terms just quoted, after studying the following figures. I am indebted to Dr. Coates for having collated them in a succinct form:—

INDICES OF WHOLESALE PRICES.

(1913 = 100 IN EACH CASE.)

	Great Britain. (Board of Trade.)	*United States.*	*Germany.*	*France.*
1924 ...	166.2	140.5	137.3	—
1926 ...	148.1	143.3	134.4	141.1
1928 ...	140.3	138.5	140.0	131.0
1929 ...	136.5	136.5	137.2	127.3
1930 ...	119.5	123.8	124.6	112.5
1931 ...	104.1	104.6	110.9	101.9
January, 1932 ...	105.8	96.4	100.0	89.1
June, 1932 ...	98.1	91.5	96.2	86.3
July, 1932 ...	97.7	—	95.9	98.3
August, 1932 ...	99.5	—	95.4	84.3

THE FOREGOING INDICES CONVERTED TO A BASE OF 1924 = 100:—

	Great Britain.	*United States.*	*Germany.*
1924 ...	100	100	100
1926 ...	89.1	101.9	97.9
1928 ...	84.4	98.6	102.0
1929 ...	82.1	97.2	99.9
1930 ...	71.9	88.1	90.8
1931 ...	62.6	74.4	80.8
January, 1932 ...	63.7	68.6	72.8
June, 1932 ...	59.0	65.1	70.1
July, 1932 ...	58.8	—	69.8
August, 1932 ...	59.9	—	69.5

DISPARITIES OF MOVEMENT FOR DIFFERENT CLASSES OF GOODS.

INDEX COMPILED BY *The Economist* (GREAT BRITAIN).

Group.	*Average Index for 1924 on basis of 1913 = 100.*	*Index for August, 1931, on base of 1924 average = 100.*
Cereals and Meat	160	61
Other Foods	170	59
Textiles	211	32
Minerals	145	59
Miscellaneous	131	63
Complete Index	159	54

Now we see two things—cheaper and even cheaper wholesale prices, and more and more unemployment. And not only here in this country, where up to a year ago we were prepared to receive goods from whatever quarter, without let or hindrance, until we were compelled to control the volume of imports by some means or other—tariffs or quotas. Owing to exchange restriction and finance difficulties elsewhere, Great Britain was practically the only country into which goods could be sent and payment obtained. The stream became a flood and the ordinary conditions no longer obtained.

Yes, but in addition to our own country, which was Free Trade, unemployment was equal, if not more severe, in some protectionist countries. It must be frankly admitted, however, that the burden of unemployment, with its present universal character, developed comparatively recently, while our own country has had that hard core of a million since the war. The following is a summary of percentages, given by the International Labour Office at Geneva, with the caution that the bases differ, and therefore the closest comparisons cannot be drawn:—

UNEMPLOYMENT IN SEVEN OF THE PRINCIPAL COUNTRIES.

THE FOLLOWING TABLE GIVES THE PERCENTAGE OF WORKERS UNEMPLOYED IN THE YEARS SPECIFIED.

(N.B.—The figures are not strictly comparable because the bases on which they were compiled vary in different countries.)

	1921.	1922.	1927.	1930.	1931.	1932.
Britain	14.8	16	7.5	19.5	22	23.5
Germany	3	2.7	2.4	19	30	30
Denmark	16.6	28	21.6	14	22	32
Belgium	9.9	6.4	4.8	7	30.5	39
Canada	12.6	10.6	4.9	13	19.5	22
Australia	11.5	9.5	7.8	23.4	28	30
Japan	—	—	—	5.3	6.7	6.9

THE COMMON FACTOR.

Now let us endeavour to see what factor is common to all industrial countries, remembering as I have said that it is not by any means the only one.

Last year I went to America as a Delegate to the International Chamber of Commerce at Washington. The British delegation was a strong body and the British point of view was put forward with vigour and ability.

Incidentally, I may remark that it was my privilege to be a member of a sub-committee of four charged with the preparation of the British case with regard to political debts. My colleagues were Dr. Coates, Examiner in Economics to the Society, Mr. Henry Bell, late General Manager of Lloyds Bank, and Mr. Raymond Streat, the brilliant Secretary of the Manchester Chamber of Commerce.

We were blanketed on arrival at Washington, but within a very short period after our departure Mr. Hoover issued the Moratorium. Further, the Secretary to the United

States Treasury has recently admitted that it was the action of our delegation which had directed his attention to the matter and induced him to take action. Although War Debts is now the burning question of the day in Europe and America, that is not the matter to which I desire to draw your attention to-night.

During my stay in New York I was entertained by a New York engineer, Mr. C. W. Baker, at his home in Montclair. In London, a few years previously, I had made the acquaintance of his son, a Detroit stockbroker. The day before I sailed for England, Mr. Baker, Junr., who had just arrived from Detroit, lunched with me at the Union League Club, of which I had been made a temporary member by one of my accountant friends, the ex-President of the American Institute, Mr. F. H. Hurdman. Mr. Baker, Junr., handed me the MS. of a book, written by his father, and I was asked to read the MS. and advise whether I thought it desirable to publish the book simultaneously in New York and London. I read the MS. at first rapidly, as for review, but my mind was quickly arrested by the enormous significance of the contents and their application to the problem of Unemployment. I became engrossed in the MS. and read and re-read various chapters.

My opinion on finishing this most interesting task was that the diagnosis was remarkable, the accumulation of facts extraordinary, and the thesis the author had set out to prove irresistible. But in regard to the remedies, the author's acquaintance with events in this country was not close enough to make it a standard work.

The book has since been published in America, under the title of "Pathways back to Prosperity," and I propose to give you a few of the most striking facts contained in the book, or the manuscript, which was considerably revised prior to publication. Curiously enough, Mr. Baker has been engaged all his life in inventing and installing labour-saving appliances and plants, and he is appalled at the results of his life's occupation.

I happen to have a friend on this side (Mr. Baker's counterpart) by name J. L. Hodgson. He is a skilled engineer attached to an important industrial firm specialising in the elimination of waste. In a lecture delivered before the Royal Society of Arts under the chairmanship of Professor Jevons, he said: "I am haunted by a vast army of 20,000 unemployed from whom my efficiencies have filched away their life purpose and their means of adequate livelihood."

Unemployment in the United States.

You will be impressed by the fact that, with regard to certain phases of the question, American statistics are far in advance of anything that we have on this side.

But the material for statistics of unemployment is deficient and the figures given by the International Labour Office are based on trade union returns only. There is much non-union labour in America.

This is explained by the fact that there is no system of Unemployment Insurance and no organisation of public assistance at all comparable with our own.

Let us, however, get out of our minds any idea, if ever there was one, that prior to the Wall Street crash in 1929 there was only a little and technological unemployment in the United States. The term "technological unemployment" in itself gives the case away, because under that heading is included the great army of men and women who have been rendered workless by the process of so-called rationalisation—that is, labour rendered superfluous by the march of the automatic machine—and its consequences.

Technological Unemployment.

Mr. Stuart Chase, a well known American economist and publicist, put it thus in 1931: "What threatens to continue unabated in good times and bad is technological unemployment, with its three faces—the machine, the merger, and the stop watch. In four years oil refineries increased output 84 per cent. and laid off 5 per cent. of their men while doing it. Tobacco manufacturing output claimed 53 per cent. in the same period with 13 per cent. fewer men at the end. This is the trend throughout industry."

The *Iron Age* says: "If the productivity of industry through mechanisation continues to increase in the next twenty-five years in the same way and at the same rate as during the last twenty-five, only 45 men will be needed for the work which to-day requires 70 and that formerly required 100. In the automobile industry 30 workers were doing as much as 100 workers in 1914."

Mr. Baker calls attention to the following labour displacing machines:—

1. A new ensilage harvesting machine which cuts corn standing in the field and delivers it to the silo without its being touched by a human hand.

2. A new tabulating machine which is capable of doing the work of 100 actuaries.

3. A new invention producing 73,000 electric light bulbs every 24 hours, displacing 2,000 hand operators for every machine installed.

4. At St. Louis a section of a sewer scheme was recently carried out. The previous schemes had been carried out by pick and shovel men numbering 7,000. The last section was carried out by machines tended by 33 machine operators and 37 labourers—70 against 7,000.

Agriculture, too, has had the same experience. Power farming, according to Professor Stewart, of the University of Minnesota, has reduced enormously the agricultural population. His estimate is that between 1850 and 1920, approximately 27,000,000 workers have been released from agriculture. Corn, which used to represent in labour 60 man-hours per acre, was produced at Iowa State College with the latest power-driven equipment with 3.83 man-hours of labour per acre.

The result has been that according to another authority two million farmers have abandoned their holdings since 1920. Mr. J. L. Hodgson, B.Sc., to whom I have referred, quotes the case of the Kimberley Mine in California, where 43 men, by the use of automatic appliances, mined 5,000 tons of lead ore per day—one-eighth of the world's total output. He also quotes the case of the Wildwood Colliery, near Pittsburg, where in a seam 8 feet thick and 350 feet underground, two men, aided by machines, loaded 1,000 tons of coal a day. So one could go on with industry after industry, but doubtless enough illustrations have been given.

But what of this country? Here we have Unemployment Insurance, and our figures are not guesswork. The same process has been going on, but not to the same extent. The units in this country are smaller, and the industries do not lend themselves so readily to mass production. Still, in the industries where these methods have been applied, the results are the same. In one motor works, before the days of mass production, the time schedule was one car per man per annum. It is now one car per man per ten days.

I have little doubt that the practising accountants here could compile a list—I know they won't—of industrial undertakings where the displacement of labour over a term of years has been enormous. What is even worse from our point of view is that if we know that the working costs

of any undertaking are above the average, and we scrutinise the items, we are bound to advise the reductions, not per man, but in the total costs chargeable.

THE BROAD POSITION.

What has emerged from the foregoing? That so far as the present organisation of the world is concerned, the enormous strides made in production have overtaken and passed the capacity of the nations for consumption. This does not somehow satisfy me. It is true that people are better fed and clothed than they were before the war, but they must have many reasonable wants that are unsatisfied. We also know that the hindrances to the free flow of trade by Exchange regulations and controls, by restrictive arrangements consequent upon budgetary difficulties, and particularly by the disturbance of political debts, are responsible for much unemployment and for the abnormally low price level.

We may look for a gradual improvement in industry and the absorption of a large number of our unemployed: but apparently our rulers have made up their minds that when the improvement comes there must still be a large margin of "technological" unemployment. This was made clear by the Prime Minister in a recent speech in the House of Commons, and by the intimation that the Government was proposing to overhaul the whole question of Unemployment Insurance with a view to creating a permanent structure which would stand the test of the next quarter of a century.

It has taken all these years to get out of the minds of a number of people that the situation was not that of a cyclical depression, which would soon pass away and be succeeded by a boom, and then presumably by another temporary slump. When people here or in America thought prosperity was only just round the corner, and there was nothing to do but wait for it, then it was difficult to get them to realise the enormous revolution which had taken place in industry and that any experience in the past temporary depressions was quite useless in dealing with the present situation.

In this country before the War the situation was continuously eased by the facilities afforded for emigration, the number of adult males who emigrated in 1913 being 124,000. As the number of emigrants was practically equal to the number of new entrants into industry, the problem did not become acute. Unfortunately, however, most of the countries to which emigration was directed are practically closed for the purpose, and this relief is not available.

It is a matter of much regret to me that greater attention was not given at Ottawa to the subject of Empire emigration, although it is quite easy to see that our Dominions, which have their own unemployment problems, are not anxious to encourage any large scale immigration. It may well be, however, that when the benefits of the Ottawa agreement have materialised, it will not be so difficult to arrange for an extension of migration to our Dominions, to their advantage and to ours.

THE VIEW OF ACCOUNTANTS.

What is our position as accountants with regard to these questions? We are credited as people having a sufficiently high standard of knowledge and training to appreciate facts and form conclusions upon them. I suggest for your consideration the following points:—

It is impossible to stop the march of invention. The smashing of machine looms a century ago in order to prevent the supersession of the hand loom worker seems to us absurd and short-sighted. Every invention which lessens labour should contribute to the happiness of the race and help to raise the standard of living in every country.

In this connection I would like to refer to the views of Sir Harold Bowden and Sir Herbert Austin, as recently expressed by them in the Press. Sir Harold Bowden observes that while the temporary causes of unemployment have been diagnosed over and over again, the permanent aspects of the problem are in danger of being overlooked. He puts forward three propositions:—

(1) Machinery is displacing men in all industries and will continue to do so.

(2) Where man's labour is not needed, purchasing power is not distributed to them except by unsatisfactory and demoralising devices such as doles and charity.

(3) In an age of abundance, millions are deprived of purchasing power through the failure of statesmen, financiers and economists to devise a pretext for giving it to them.

Sir Harold goes on to say that the obvious remedy of employing more men for fewer hours at the same rates of wages is impossible for British manufacturers in the face of international competition, and international co-operation is still very far off. The general adoption of a five-day week in this country is therefore impracticable, but he hopes for some kind of action by individual firms or individual industries, under the guidance of the Economic Advisory Council. In a later letter he mentions the possibility of a change in the internal currency and credit systems, and closer co-operation between employers and employed and the State.

Sir Herbert Austin holds the opposite view in regard to the effect of mechanisation and invention, contending that they have brought nothing but benefits to mankind. He points to the enormous improvement in living and working conditions, which has been rendered possible by machinery, coupled with a sevenfold increase in the number of persons employed in Great Britain since the middle of the eighteenth century. These facts are undeniable, but he fails to deal specifically with the events of the last fifteen years, which I submit are of more importance in relation to our immediate difficulties.

The problem in Sir Herbert's view is one of distribution of surplus products, not only to the inhabitants of Western countries but also to the inhabitants of more backward lands, whose demands—if only they had a medium of exchange—would suffice to provide full employment both for men and for the much-libelled machine. He holds that the proposal for shorter hours immediately leads to the destructive doctrine that men now in employment should not work to their full capacity. The high standing and long experience of industrial management of both Sir Harold Bowden and Sir Herbert Austin, and the universal esteem in which both are held by reason of their successful handling of administrative and labour problems in their own factories, command the greatest respect for their pronouncements on wider issues.

While fully realising the difficulties of the whole problem, I find myself in complete sympathy with Sir Harold Bowden's opinion—which is supported by the facts and figures I have quoted—that the incessant advance of machinery is largely responsible for the present scale of unemployment. But so far as the causes of the trouble are concerned perhaps there is not so much difference between the two views as there would seem to be: the one holds that mechanisation has advanced too rapidly for our economic system, the other that the economic system has advanced too slowly for mechanisation. That there is maladjustment is obvious: the fundamental difference between the two schools of thought relates to the direction in which a solution may be most profitably sought.

On November 19th the Prime Minister indicated the intention of the Government to try, through international action, to give to the workers increased leisure by shortening the hours of labour. It is obvious that no one country can do this by itself, since the products of that country would be out of the international market, and it must be remembered that we are still the greatest exporting nation in the world per head of population. There is the further difficulty that if such an International Convention were ratified, the methods of execution in different countries would vary enormously. It is abundantly clear, however, that the world can now afford additional leisure for its workers.

In the meantime, we have to consider the question of prices. In the words of the Hon. R. H. Brand, "There can be no doubt that the fall in price level is the overruling issue of depression."

At the present time economists and financiers are divided into two schools, (*a*) the "Deflationists," (*b*) the "Reflationists." The Deflationists argue that any rise in the price level to that of 1929 or 1928 is an absolute impossibility; therefore, the only practicable policy is to reduce wages, salaries and all items entering into cost of production, until it is possible to produce in this country at the same level as any of our competitors. A reduction of wages to meet Oriental competition is an impossible proposition. Again, assuming that we were successful, what is there to stop still further reductions in those countries, and a recurrence of the whole disagreeable and dangerous process elsewhere?

On the other hand, the Reflationists seek to prove that by various means, including monetary reform, it is possible to raise the price level very materially, thus increasing the purchasing power of the community and leading to the absorption of a very large number of unemployed. I am aware that the Council of the International Chamber of Commerce, sitting in Paris and representing 47 nations, came to the conclusion recently that it was impossible to raise prices to the level of 1929, and that there was nothing left except to follow the policy of the Deflationist school. I look upon this as a counsel of despair, and one that I am not prepared to accept until every other expedient has been exhausted.

I commend to all the members of my profession, practising or students, the urgency of the problems I have indicated, forming as they do the most important questions for the future of this country, and for the livelihood of every person in it. It is up to us to study the problems individually and in our Societies, in order that we may make our contribution to the sum of knowledge and give our best efforts to the solution of them.

INCORPORATED ACCOUNTANT'S JUBILEE

Mr. J. H. Worrall, A.S.A.A., has completed 50 years' service with Messrs. Jones, Crewdson & Youatt, Chartered Accountants, of Manchester, and has been the recipient of handsome presentations from his firm and the staff respectively on the attainment of his jubilee in the profession. In a note to the Secretary of the Society of Incorporated Accountants and Auditors (which we venture to quote without the writer's permission) he says: "As a token of thankfulness for the health and happiness which I have enjoyed for so many years, I have pleasure in enclosing a cheque, which please place to the credit of the Benevolent Fund for the benefit of those members of the Profession who have not been so fortunate as I."

Personal.

The name of Mr. William Saunders, Incorporated Accountant, Derby, has been added to the Commission of the Peace for the County of Derby.

Reviews.

Tables of Procedure. *By W. Bertram Nelson, A.S.A.A. London: The Solicitors' Law Stationery Society, Limited, 22, Chancery Lane, W.C.2; and Liverpool: 19-21, North John Street.* (*36 pp. Price 2s. 6d. net, or in cloth boards, interleaved, 5s.*)

The tables provided in this publication relate to the procedure in company and insolvency practice and the matter contained in the tables is arranged in chronological order with references to the sections of the Statutes where further particulars may be found, and the numbers of the forms required for notices, &c. Any of the forms mentioned can be obtained from the publishers of the book by reference to the number given. The tables cover matters relating to (1) Company Formation; (2) Voluntary Winding-up of Companies (divided into Members' Winding-up and Creditors' Winding-up); (3) Winding-up by the Court; (4) Bankruptcy; and (5) Deeds of Arrangement. Accountants will find that in carrying through company and insolvency work these tables will save them a great deal of time in looking up the sections of the Statutes bearing upon the different matters, and candidates preparing for accountancy examinations will also find them useful.

Costing for the Cocoa, Chocolate and Sugar Confectionery Trades. *London: Manufacturing Confectioners' Alliance, 22, Buckingham Gate, S.W.1* (*104 pp. Price 21s. net.*)

This book has been prepared by the Costing Committee of the Manufacturing Confectioners' Alliance with the assistance of Mr. E. V. Amsden, F.C.A., A.S.A.A., who has made a special study of the systems in operation in various factories. The work is divided into two parts, the first dealing with costing for small factories, in relation to which the aim has been to set forth a simple system which can be operated at a minimum expense and without the employment of special staff. Part II describes a complete system of costing suited to firms and companies who maintain a special costing department, and numerous forms and rulings are provided to show the working of the system.

Income Tax and Sur-Tax Practice. *By A. L. Boydon. London: Eyre & Spottiswoode (Publishers), Limited, 6, Great New Street, E.C.4.* (*466 pp. Price 20s. net.*)

The main portion of this work is embodied in Part II, which is in the nature of a dictionary of Income Tax and Sur-tax law and practice arranged under subject headings with short explanations of the procedure and questions likely to arise under each. This is preceded in Part I by a short explanation of the incidence of Income Tax and Sur-tax and the principles applicable thereto. Throughout the book there are references to decided cases, but no table of cases has been supplied, and it may therefore be somewhat difficult to refer to them. In the appendix there is a chapter on Back Duty and another on schemes for the legal avoidance of Income Tax and Sur-tax.

Private Companies: Their Management and Statutory Obligations. *By Herbert W. Jordan and Stanley Borrie, Solicitor. London: Jordan & Sons, Limited, Chancery Lane, W.C.2.* (*208 pp. Price 5s. net.*)

The authors of the book have provided in a condensed and readable form a general explanation of the main features relating to the formation, management and control of a limited company, dealing amongst other matters with increase and reduction of capital, declaration of dividends, duties of directors and secretaries, procedure with regard to the issue of debentures, the holding of meetings and the filing of Annual Returns, &c. It is a useful book for a director or secretary to have available for reference.

Obituary.

HENRY STEELE.

We regret to announce the death on December 23rd, of Mr. Henry Steele, F.S.A.A., senior partner in the firm of Henry Steele & Co., Incorporated Accountants, Manchester. Mr. Steele was admitted an Associate of the Society in 1894, after taking honours in the Final examination, and commenced practice the following year. For some years he served on the Committee of the Manchester and District Society. and held successively the offices of Honorary Treasurer, Vice-President and President. In 1921 he took into partnership Mr. John Spedding, Incorporated Accountant, who will now continue the practice under the same firm name.

WALTER ERNEST GOLDBY.

We have received with regret news of the death of Mr. Walter Ernest Goldby, F.S.A.A., senior partner in the firms of Goldby, Panchaud & Webber, Johannesburg, and Speight, Goldby & Webber, Bulawayo, South Africa. Mr. Goldby was admitted a member of the Society in 1901, and commenced practice in Johannesburg in 1903 upon resigning the office of Auditor-General of the Colony of Natal. The practices will be continued by the remaining partners, Mr. H. P. Webber, Mr. A. J. T. Goldby, and Mr. J. C. Macintosh, Incorporated Accountants.

CHARLES HAIGH COOPER.

The death is also announced of Mr. Charles Haigh Cooper, F.S.A.A., at the age of 74. Upon his election to membership of the Society in 1906, Mr. Cooper was taken into partnership by his brother, Mr. Daniel Cooper, in the firm of Cooper, Newall & Co., Manchester. He was admitted to Fellowship in 1900.

HERBERT MATTHEW JAMES.

Mr. Herbert Matthew James, F.S.A.A., Coventry, died recently as the result of an accident. He became an Associate of the Society in 1922, and a Fellow in 1928, and was a member of the Committee of the Birmingham and Midland Society of Incorporated Accountants. He was 41 years of age.

RICHARD DAVIES HECKELS.

By the death, last week, of Mr. Richard Davies Heckels, F.S.A.A., the Society of Incorporated Accountants and Auditors has lost one of its original members. Mr. Heckels, who resided at Blackheath, died at the advanced age of 79, and it is somewhat remarkable that his sister, aged 77, who resided with him, died on the same day.

ROBERT MONTGOMERY LAWS.

Mr. Robert Montgomery Laws, F.S.A.A., who died on December 3rd, at the age of 53, after an illness of only a few days, was a partner in the firm of Godfrey, Laws & Co., Incorporated Accountants, Luton and Uxbridge. He had been a member of the Society since 1911, and a Fellow since 1926. He was formerly in the employ of Mr. H. I. Godfrey, F.S.A.A., by whom he was admitted to partnership in 1915.

Incorporated Accountants' London and District Society.

Dr. Cyril Norwood, the Head Master of Harrow, will be the principal guest at a luncheon to be held at the Connaught Rooms, London, on Wednesday, February 22nd.

Incorporated Accountants' District Society of Notts, Derby & Lincoln.

ANNUAL DINNER.

The annual dinner of the Nottingham, Derby and Lincoln District Society, was held at the Victoria Station Hotel, Nottingham, on January 20th. The PRESIDENT (Mr. Fred A. Prior) occupied the chair, and amongst those present were the Lord Mayor of Nottingham (Councillor H. Seely Whitby), the President of the Society of Incorporated Accountants and Auditors (Mr. E. Cassleton Elliott), Mr. A. C. Caporn, M.P., Mr. A. J. Flint, M.P., Sir Albert Ball, Sir Arthur Blake, Alderman A. R. Atkey (President, Nottingham Chamber of Commerce), Councillor W. W. Weldon, Mr. E. Bailey, F.C.I.S., Mr. A. A. Garrett (Secretary, Society of Incorporated Accountants and Auditors), Mr. W. Trease (President, Nottingham Stock Exchange), Mr. H. F. Holloway (President, Nottingham Chartered Accountants Society), Principal H. Stewart (University College), Mr. W. O. Burrows (Secretary, Nottingham Chamber of Commerce), Mr. T. C. Howitt (President, Nottingham, Derby and Lincoln Architectural Society), Mr. A. H. Fitzpatrick (Secretary, Nottingham Society of Chartered Accountants), Mr. S. Blythen, F.S.A.A., and Mr. H. Piggott (Hon. Secretary, Manchester and District Society of Incorporated Accountants), and Mr. Stanley I. Wallis, A.S.A.A. (Hon. Secretary of the Nottingham, Derby and Lincoln District Society).

The CHAIRMAN proposed "The City and Trade of Nottingham," and expressed satisfaction at the fact that Nottingham was no longer entirely dependent on a staple industry, but carried on a variety of industries. The result was that in the general world depression Nottingham was probably less hard hit than the majority of cities of the same size. The City Council, by encouraging new industries, and by doing their best to cater for the industries now existing, did much to foster that satisfactory state of affairs. Turning to the City accounts, Mr. Prior congratulated the new City Treasurer, Mr. J. Boydell, F.S.A.A., on their clarity. So far as the accounts were concerned, they did not tell the whole truth, for they did not disclose the cost of the new Council House or the annual charge on the rates which it involved. The city had a capital expenditure that had now reached the enormous figure of £26 millions. There was one item of £257, the cost of the election of City auditors. It was high time the antiquity of this method was realised, as it was sheer waste to spend that money on an annual election. The net loan debt in 1914 was £5,812,000. This had grown to £13,075,000, or a debt per head of £48 12s. 6d. No fewer than 39,729 houses were rated at less than £10 per annum, and he estimated that fully 30 per cent. of the City's rates were contributed either by public authorities or by limited liability companies who had no vote whatever. It was high time that matter received the attention of the authorities.

The LORD MAYOR, in replying, said they were not standing still in Nottingham. Nottingham business men were looking to the future and were preparing for the trade revival that would come, and they would be ready for it. After looking round the tables at the bright, alert and successful men he found there, he would like to say they were looking for that type of man on the City Council. There was, he suggested, a good opportunity for Mr. Prior to spend his spare time in the interests of the City. He hoped the best men in their Society—

men of character, tact and ability—would come forward for election to the Council of their great City and take part in its affairs. The Lord Mayor mentioned that he had received from Glasgow an important letter submitting for consideration a copy of the Walsall "five points," which, the letter urged, would, if accepted internationally, prove a solution to our difficulties. These five points had been sent to the various international Prime Ministers. As a matter of interest, the Lord Mayor quoted them, but they seemed to constitute an ambitious programme: (1) International Free Trade; (2) an international 7-hour day and 4-hour Saturday, making a 39-hour week; (3) an international minimum wage of £2 10s. a week for all males and females over 21; (4) That dishonesty be a criminal offence punishable by the severest penalty of the law; (5) an international currency and universal language. In conclusion, the Lord Mayor congratulated the Society upon its progress.

Mr. A. J. FLINT, M.P., proposed "The Society of Incorporated Accountants and Auditors," with which he coupled the name of the President, Mr. E. Cassleton Elliott. Mr. Flint spoke of the readiness with which the tax inspectors accepted the figures of accountants. He realised that by their traditions and by the undoubted integrity of their profession they had earned reputation and public confidence. Accountants seemed to thrive whether business was in the lap of prosperity or whether they were clearing up financial and business difficulties. Looking at the present state of affairs in the country he would say that their job as citizens was to get down to it and to dispel the atmosphere of pessimism. Instead of saying how bad things were and what terrible days they were going through, they must say it was going to be better, and it would be better. (Hear, hear.) They all desired to extend to the Society of Incorporated Accountants their good wishes and best hopes for the future.

Mr. E. CASSLETON ELLIOTT (the President) in rising to respond was given a cordial reception. He said they were grateful to Mr. Flint for the kind terms in which he had proposed the toast of the Society of Incorporated Accountants. They were always glad to see Members of Parliament at these functions whenever their Parliamentary duties permitted. The President, Mr. Prior, had shown himself a keen critic, and he, Mr. Cassleton Elliott, cordially agreed with the Lord Mayor that Mr. Prior could render valuable service to the City by being elected to the City Council. Mr. Elliott went on to say that it was the policy of the Society of Incorporated Accountants and Auditors to keep pace with the urgent requirements of the times. He could refer with satisfaction to the progress of the Society, to its membership of six thousand at home and overseas, and to its realistic appreciation of the problems of the day. This had been particularly shown during last year in the report on company law and accounts which, after much labour, a Committee of the Council had prepared. Speaking for the first time in the New Year, Mr. Elliott made a brief review of current facts which concerned them all. The present position of the country and his own professional experience led him to take a hopeful yet cautious view of the future. The trade position was sounder than it was twelve months ago, though its volume was smaller than it should be. The adverse balance of trade had fortunately been reduced, compared with the almost alarming dimensions it had reached during 1931. But in any survey of the situation, the great problem of currency and the exchanges had to be tackled. The present uncertainty was a source of embarrassment to industrialists and merchants. They all attached importance to the forthcoming International Economic Conference, but its date, and possibly its results, were uncertain. Mr. Elliott felt that something useful could be done by stabilising sterling on an Empire basis. It was a curious thing that owing to the various rates of exchange between the British Dominions, the cost of a carcase of mutton of the same quality in terms of sterling was one figure in Australia, another in New Zealand, another in South Africa and another in Canada. Such discrepancies hampered trading operations. He mentioned these facts because although the direction of monetary policy was not in their hands, they were frequently asked their views on these questions, and had to appreciate these problems from a practical point of view in regard to the business affairs of their clients. More and more it was being realised that War Debts were the curse of the world. Great Britain paid America in December, and, he thought, quite properly. But he asked them to appreciate the important considerations which the Chairman of Barclays Bank had recently put forward in regard to War Debts. The question was not one for this or that particular country, but affected the whole world. It seemed that at last there was some prospect of the War Debt question being dealt with from a more rational point of view. Not without reason attention had recently been called to the extraordinary effect of mechanisation in industry, and for the time being at any rate its adverse effect upon employment. Last week a new bogey was created for an already suffering world—technocracy. An American Committee had examined the widespread effect of mechanised methods, but it was a pity the results had been expressed in such technical language, and that a campaign for technocracy (whatever it might mean) had been started. But the whole thing had an amusing side, because they learned from an authoritative source that its methods comprised, among many other things, "a synthetic integration of the physical sciences that pertain to the determination of all functional sequences of social phenomena." (Laughter.) He could safely leave technocracy at that. For himself, he was assured of the courage of business men and industrialists in this country, and he knew they were devoting their energy and ability to their individual problems, believing that in that way they could best help the country and their own immediate concerns. (Applause.)

Mr. STANLEY BLYTHEN, O.B.E., proposed the toast of "The Guests." He said that one of the greatest pleasures in life was to be able to entertain one's friends, and it was in that spirit that he welcomed the guests.

Sir ARTHUR BLAKE responded, and paid a tribute to the service which the accountancy profession had rendered to finance and commerce, and congratulated the District Society on its virility and activity. Incorporated Accountants had many parts to play: they elated their clients when they could show them profits; they encouraged them when trade was bad; they bewildered them with statistics and they surprised them with their bill of costs. (Laughter.)

Alderman A. R. ATKEY also responded in a humorous speech.

At the conclusion of the proceedings Mr. STANLEY I. WALLIS, the Honorary Secretary, proposed the toast of "The Chairman, Mr. F. A. Prior," and referred to Mr. Prior's qualities both as an Incorporated Accountant and as a good friend of all of them. The District Society was particularly indebted to him for his services as President, and as his period of office would shortly expire he took the opportunity of expressing to Mr. Prior the cordial thanks of all the Nottingham members for his work. Mr. PRIOR thanked Mr. Wallis, and said he had been happy to do any work for the District Society, which he hoped to serve still further in the future.

Income Tax—Special Reliefs.*

A LECTURE delivered to the Incorporated Accountants' District Society of North Staffordshire by

Mr. L. W. CAULCOTT,
Inspector of Taxes.

Mr. CAULCOTT said: I propose in this lecture to confine myself to that series of reliefs which might be termed the "relieving provisions of the Income Tax Acts as applied to Schedule D and Schedule E," and which give rise to problems of daily occurrence for both the Inspector of Taxes and the accountant. Strictly speaking, it is hardly correct to call some of them reliefs, since reliefs are deductions made from assessments in order to ascertain tax payable, whereas certain sections of the Acts with which my remarks deal provide for adjustments to the assessments themselves.

The first series of reliefs for comment is, unfortunately, only too appropriate to the times. I refer to reliefs in respect of losses. One of the most important sections is the well known sect. 34 of the 1918 Act. This section provides that where any person sustains a loss in any trade, profession, employment or vocation, or in farming, or in woodlands managed on a commercial basis and assessed under Schedule D, he may claim relief by repayment or set-off of tax on income equal to such loss. The special points to be remembered in connection with a sect. 34 claim are as follows:—

(1) The claim must be preferred in writing within twelve months of the end of the year of assessment.

(2) The loss must be proved to the satisfaction of the Commissioners. In practice, this means that satisfactory accounts must be submitted to the Inspector.

(3) A sect. 34 claim is an application for relief and not an appeal. It cannot, therefore, be the subject of a case stated for the opinion of the High Court (*Bruce* v. *Burton*, 4 T.C., 399).

(4) Losses relieved under sect. 34 cannot be carried forward for allowance against assessments on future years' profits.

A special point may here be mentioned regarding finance companies, as in these cases, although taxed dividends are eliminated in arriving at the computation of the income tax loss or profit, they are left in the computation for purposes of arriving at the loss available for sect. 34 relief, and if the computation, including such taxed dividends, shows an adjusted profit, no sect. 34 relief is admissible. This arises from the fact that the condition precedent to the claim is the existence of a trading loss, and in the case of finance companies taxed dividends are ordinary trading receipts.

Companies whose business consists of the making of investments are unable to claim under sect. 34, since they are not "trading," but relief is open to them in respect of management expenses, under sect. 33 of the 1918 Act.

Relief under sect. 34 is given by reference to the new aggregate income ascertained under the Income Tax Acts.

The departmental practice regarding sect. 34 claims has recently been considerably modified, and it will, I think, be useful to add a few notes on this.

In strictness, the loss in respect of which a claim under sect. 34 can be made, is the loss incurred in the year to April 5th to which the claim relates, arrived at by apportioning accounts under sect. 35 of the 1926 Act. In practice, however, a claim in respect of the loss incurred in the basis year—by which I mean the year which would, if a profit had been made, have formed the basis of the assessment for the year following the year of claim—continues to be accepted with the following exceptions:—

(*a*) The first, second and third years of assessment of a commencing business.

(*b*) The fourth year of assessment of a commencing business where the third year's assessment has been adjusted under sect. 15 of the 1930 Act.

(*c*) The year immediately following a year in which a claim has been allowed on the basis of the year ended April 5th.

(*d*) Lands occupied for husbandry and assessed under Schedule B which have come into the claimant's occupation during the year of claim.

(*e*) Where the claimant so desires.

In the foregoing five exceptions, the basis of the claim is the loss of the year ended April 5th.

Where relief is claimed in respect of the year of discontinuance of a business, it is allowed in respect of the loss applicable to the period from April 6th to the date of discontinuance by apportionment of accounts under sect. 35, 1926 Act, despite the possibility that relief may have been allowed in previous years on a different basis.

You will remember that in former years a concessionary practice was followed, regarding (*a*) charges, *e.g.*, interest and other annual payments; (*b*) wear and tear; whereby losses were allowed to be created or augmented by taking these items into consideration.

The concession regarding charges has now been withdrawn and that regarding wear and tear reconsidered. The addition for wear and tear is now restricted to any wear and tear of the year of loss which has not been allowed in the assessment for that year.

Example.—A is assessed for 1932-33 on £1,000, less £200 wear and tear, and in 1932-33 sustains an actual loss of £500. Under the old practice he could be allowed relief on £700 (*i.e.*, £500, plus £200 wear and tear), but under the new practice his loss claim is limited to £500, since the full wear and tear has already been allowed in the assessment for 1932-33.

Where there has been a carry forward of wear and tear to the year of loss, any profit in assessment for that year is regarded as satisfying primarily the wear and tear allowance due for that year, exclusive of the carry forward.

Example.—A is assessed for 1932-33 on £500, less £500 wear and tear.

Wear and tear carried forward to 1932-33	£2,000
" " for 1932-33	750
Trading loss for 1932-33	2,500
Total income for 1932-33	2,700

The loss available for sect. 34 relief under the new practice is £2,750, arrived at as follows:—

Trading loss		£2,500
Wear and tear of year.. ..	£750	
Allowed in assessment	500	
		250
Total		£2,750

* The views expressed in this lecture are the personal views of the Lecturer and no official authority attaches to them.

A's total income £2,700 is insufficient to absorb the whole of the available loss, and is regarded as satisfying the trading loss of £2,500, plus £200 wear and tear.

The addition made for wear and tear under this revised practice is regarded as having been effectively allowed for all tax purposes, and the claimant is required to give an undertaking so to regard it. As a result, the addition for wear and tear is not added back in the computation of future liability.

Thus, in the last example, A will have been allowed £700 wear and tear, *i.e.*, £500 in assessment and £200 by concessionary practice, and his wear and tear carry forward will be £2,050.

Firms require rather special consideration from a sect. 34 point of view because relief under this section is a personal relief. It follows that :—

(*a*) Each partner's relief is separately computed ;

but on the other hand—

(*b*) A claim to the relief is admitted only where the result of the firm's trading is a loss, after taking into consideration any wear and tear for the year of loss which has not been allowed in the assessment for that year ;

(*c*) The partners are not regarded—by reason, for example, of a salary paid to one partner and the basis of sharing the resultant loss—as sustaining in the aggregate a loss in excess of the loss available for sect. 34 relief ;

(*d*) An allowance under the concessionary practice to a partner is regarded as effective for all tax purposes, both as regards the partner and the firm ;

(*e*) The firm's carry forward of wear and tear is regarded as belonging to all partners in proportions unaffected by the allowance.

The foregoing sounds rather involved, so that an example will make it clearer.

Example.—A firm consisting of A and B in partnership have the following trading results :—

Year to December 31st, 1931 ..	Profit	£500
„ „ 31st, 1932 ..	Loss	1,200

Wear and tear is due as follows :—

1932-33	£700
1933-34	550

A gets a salary of £1,000, and, subject to this, profits and losses are shared—

One-third to A and two-thirds to B.

1932-33 assessment = £500, less £500 wear and tear.

The loss available for sect. 34 relief 1932-33 is £1,400, arrived at as follows :—

Trading loss		£1,200
Wear and tear of year.. ..	£700	
Allowed in assessment	500	
		200
Total		£1,400

This is divisible as follows :—

Loss	£1,400	
Salary A	1,000	
	£2,400	

	A.		B.
Salary	£1,000	..	
Loss share ..	800	..	£1,600
	+ £200	..	—£1,600 = £1,400

A cannot claim sect. 34 relief.

B's claim is limited to the loss available, *i.e.*, £1,400, and, assuming he has sufficient other income to cover, is repaid on this sum, the firm and B giving undertakings that the £200 wear and tear (£1,400—£1,200) has been effectively allowed to the firm.

The 1933-34 liability is :—

Loss	£1,200
Sect. 34 relief	£1,200 (not £1,400)
	Nil

The wear and tear carry forward is £550 only.

It will be seen that the main point of difference between the old and the new practices is the effective allowance of the wear and tear of the year, instead of the assessment in the following year of the wear and tear added to the loss.

Another important loss relief is that contained in sect. 33 of the 1926 Act, whereby losses incurred in 1926-27 and following years can be set off against future profits, subject to a six years limit and to the following restrictions :—

(1) The business must be a continuing one. Thus, if a business ceases, the losses cannot be carried forward and set against another business. Similarly, if a company changes its business completely, the same restriction applies.

(2) The loss is an individual loss, *i.e.*, in the case of a firm the loss to be carried forward is the individual partner's loss, not the firm's loss, and can only be carried forward against his own share of the firm's future profits. Thus, if he leaves the firm, his losses cannot be carried forward against the future profits of the remaining partners. Similarly, if a business changes hands completely, the losses of the former proprietor cannot be appropriated by the new proprietor.

(3) In the case of a farmer, losses can only be carried forward as long as he remains assessable under Schedule D by his annual election. If for any year he does not elect to be assessed under Schedule D, and is assessed under Schedule B, he loses the right to carry forward his former losses. The reason for this is that sect. 33 was devised for the man who is always under Schedule D, and it would not be equitable that the farmer, who can "dodge about" from Schedule B to Schedule D, and *vice versa*, whenever it pays him, should be allowed to carry forward his losses as he pleases at the expense of the Schedule D taxpayer.

An anomaly arose under Part IV of the 1926 Act, in the case of persons who elected under sect. 29 (3) of the same Act to continue the old "average" basis for 1927-28 and 1928-29. You will remember that where certain conditions applied, "transitional relief" was given on the change-over from "average of three preceding years" to "preceding year." It was found that in certain circumstances it would be possible for these persons to obtain, from a combination of the three years' average and the carry forward of losses, considerably more relief than was justified by the total loss sustained.

This position was remedied by sect. 22 of the 1927 Act, which provided that where transitional relief under sect. 29 (3) of the 1926 Act had been given, the first year of loss available for carry forward under sect. 33 should be the year 1928-29, *i.e.*, the basis year for 1929-30 assessment.

Losses under sect. 33 are computed under the same rules as profits—*i.e.*, the loss carried forward is the adjusted loss—and are set off from the first available assessment on the profits of the same trade, profession or vocation. Now this does not necessarily mean the first assessment which carries tax, as it might so happen that the first profits following losses were insufficient to absorb a taxpayer's personal allowances. Notwithstanding this fact, the loss brought forward is set against the profits as a primary deduction after wear and tear has been allowed. If the first available assessment is less than the loss brought forward, the balance is carried forward to the next year, and so on until either the loss is utilised or the limitation to six years operates. These six following years of assessment referred to in the section are the six years following the year in which the loss is incurred. Thus, a loss sustained in a trader's year to June 30th, 1932, would be allowed against the first available assessments of the years 1933-34 to 1938-39 inclusive.

It will be appreciated that the assessment of the year following a year of loss is nil because it is based on results of the year preceding the year of assessment. Hence, in practice, the carry forward is effective for five years only.

Sect. 33 cannot be invoked in respect of losses in respect of which relief has been given under any other provision of the Income Tax Acts. Thus, a loss repaid on under sect. 34, for example, cannot be claimed again under sect. 33. An example will, perhaps, illustrate this point :—

A taxpayer's account shows the following adjusted results :—

Year to	31/12/30	+ £500
,,	31/12/31	— £2,500
,,	31/12/32	+ £1,000
,,	31/12/33	+ £2,000

His other income each year consists of £200 from taxed sources.

The assessment for 1931-32 is £500, and he claims relief under sect. 34 by reference to his aggregate income. The statutory income of the year 1931-32 is £700, *i.e.*, £500 plus £200 other income, and relief is accordingly given on that sum.

The assessment for 1932-33 is, of course, nil.

The assessment for 1933-34 is £1,000, and relief is given under sect. 33 on £1,000, part of the unexhausted balance of loss for the year ended December 31st, 1931.

The assessment for 1934-35 is £2,000, and relief under sect. 33 is given on the remainder of the loss arrived at as follows :—

Loss year to 31/12/31			£2,500
Utilised under sect. 34.	1931-32	£700	
Utilised under sect. 33.	1933-34	1,000	
			1,700
			£800

Two off-shoots of sect. 33 may here be mentioned, viz, sect. 27 of the 1927 Act and sect. 19 of the 1928 Act. The former section extends the principle of carrying forward losses to assessments under Case VI of Schedule D, which, as you are aware, deals with the profits not specifically mentioned in the other schedules or cases, *e.g.*, letting furnished premises.

In comparing sect. 27 of the 1927 Act with sect. 33 of the 1926 Act, certain "likes" and "unlikes" can be noted. The points of similarity are :—

(*a*) The losses can only be set against future profits of the same nature ;

(*b*) The loss is an individual loss, so that in the case of a firm assessed under Case VI any losses are personal to the partners ;

(*c*) The time limit is the same ;

(*d*) The first year of loss is the same, *i.e.*, 1926-27 ;

(*e*) The method of utilisation is the same.

The only point of difference is that under sect. 27 the loss may be set against the profits assessed under Case VI for the same year of assessment. This applies a modified sect. 34 to Case VI, and really puts Case VI on the same footing as Cases I and II to that extent only. The principle of sect. 34 is not wholly applied, because if the Case VI loss exceeds the Case VI assessment of the same year, the balance cannot operate to reduce the aggregate income of the taxpayer, but is carried forward against the Case VI assessments of the six following years.

Sect. 19 of the 1928 Act is, broadly speaking, the "creation" of a loss to be carried forward. It was designed to correct the anomalies that would arise from the unqualified application of the decision in the case of *Attorney-General* v. *The Metropolitan Water Board* (13 T.C., 294). That case, if you remember, sustained the principle of a Rule 21 assessment on interest and other annual payments where the assessed profits or gains were insufficient to cover such payments, although the profits or gains of the actual year, and assessed in the following year, were sufficient to cover.

I ought perhaps to remind you that a person deducting tax—as he is bound by statute to do—from interest and other annual payments, is entitled to retain the tax deducted under Rule 19 of General Rules of the 1918 Act where he has taxed income or assessments equal to or exceeding the amount of the annual payments, usually termed "charges," but where his assessable income is less than his charges an assessment is raised on him under Rule 21 of the General Rules to cover the excess of his charges over his income.

Under sect. 19 of the 1928 Act, if the charges covered by a Rule 21 assessment refer to payments made for the purposes of a trade, profession or vocation, that assessment can be treated as a loss sustained in that trade, &c., for purposes of sect. 33 of the 1926 Act, subject to the charges being ultimately borne by the person assessed.

The following example will illustrate the point :—

For 1930-31 a company's Schedule D assessment is £500, and it is the owner of its business premises assessed under Schedule A in the sum of £100. Its debenture interest for the same year amounts to £800 gross.

A Rule 21 assessment is raised for 1930-31 as follows :—

Charges			£800
Covered	Schedule A	£100	
,,	,, D	500	
			600
			£200

The sum of £200 becomes a loss for purposes of sect. 33, and is available for set-off against the first available assessment of the years 1931-32 to 1936-37.

The restriction of relief under sect. 33 of the 1926 Act to losses sustained in 1926-27 and subsequent years involved a possibility of hardship to a business which was not set up until after April 6th, 1923, and had sustained a loss in 1924 or 1925. The change in the basis of Schedule D from the three years' average to the preceding year prevented such losses from operating to reduce the 1927-28 or 1928-29 assessments, transitional relief under sect. 29 (3) of the 1926 Act was not possible, and sect. 33 ruled

out all losses before 1926-27. The possibility of hardship was, therefore, remedied by sect. 28 of the 1927 Act, which provided that a 1924 loss could be allowed to the extent of one-third against the 1927-28 assessment and a 1925 loss to the extent of one-third against the 1927-28 and 1928-29 assessments, thus, in effect, completing the deduction contemplated under the three years average basis.

Two restrictions operated in the application of this section :—

(1) Where the section was invoked, the taxpayer was prevented from afterwards obtaining relief in respect of the same loss under any other provision.

(2) The relief provided by the section did not operate to reduce the taxpayer's liability over the whole period below his net profits after deducting his losses.

The computation of relief was rather complicated, and as the section is now of little practical importance and of historical interest only, I do not propose to inflict an example on you. I have brought it before your notice, however, as an example of the care that the legislature takes to deal sympathetically from a relief point of view with cases to which the letter of a new law denies relief, although the spirit of the new law would grant it.

Another possible hardship was mitigated by sect. 29 of the 1927 Act. I mentioned that where a business changed hands the losses of the old proprietor cannot be claimed by the new proprietor for purposes of sect. 33 of the 1926 Act. Now in the case of a business transferred from an individual proprietor, or partnership, to a company in exchange for shares in the company the legal ownership of the business entirely changes, but while the former owner holds his shares he retains what is virtually a proprietary interest in the concern. Sect. 29 of the 1927 Act is designed to give relief to such a taxpayer who, through the conversion of his business into a company, is thereby deprived of relief in respect of past losses to which he would otherwise be entitled.

Two main conditions apply :—

(1) The former owner of the business must have received the shares in the company either personally or through nominees, as the sole or main consideration for the transfer of the business.

(2) Relief is granted only so long as the former owner holds the shares and the company continues to carry on the business.

The relief is made personally to the shareholder who suffered the loss and is set off against the income he receives from the company, either as remuneration or interest and dividends. The set off is made first of all against the remuneration assessed under Schedule E, with the consequent loss of the earned income relief.

If any balance of relief falls to be set against the taxed income received from the company, repayment must be claimed by giving notice within twelve months of the end of the year of assessment to which the claim relates.

The limitations of the carry forward are as in sect. 33 of the 1926 Act.

I mentioned when dealing with sect. 33 of the 1926 Act that a loss brought forward under this section was a primary deduction after wear and tear had been allowed. That statement requires modification owing to the very recent provision which is concerned with the interplay of Rule 6, Cases I and II—the wear and tear relief ; and sect. 33—the loss carry forward relief. I refer to sect. 19 of the 1932 Act, the object of which is to provide that the trader shall not suffer through the order in which these reliefs are given.

The order of giving the reliefs is not altered, *i.e.*, wear and tear still comes before losses, but the section provides that if, and so far as, relief in respect of a loss is displaced by the wear and tear allowance in the six years following the year of loss, the displaced loss relief can be carried forward without time limit.

Since 1926-27 was the first year of loss which could be carried forward, the question of a displaced loss will not arise until 1933-34 at the earliest.

In the ordinary case the effect is to allow losses before wear and tear, but in a case such as that in which a business is sold to a company in exchange for shares in the company, the allowance of losses before wear and tear would be disadvantageous to the taxpayer, because any unused wear and tear dies with the transfer, whereas any unused losses can be utilised, as we have seen, under sect. 29 of the 1927 Act. In such a case, the allowance of wear and tear first is in favour of the taxpayer, and the section is worded to preserve that order. By this means the section gives the two reliefs to the trader in the order most favourable to him.

Two important provisos are made :—

(1) The six years time limit still applies to losses utilised under sect. 29 of the 1927 Act.

This proviso is introduced because a trader who transfers his business to a company, and whose losses have been blocked by wear and tear, has no equitable title to a carry forward for more than six years, because the wear and tear cannot in any case be allowed in any year after the transfer.

(2) Only that amount of loss blocked by the wear and tear allowance can be carried forward beyond the normal six years.

The last (and least often invoked) relief in respect of loss is the one which before the 1926 Act used to be known as "average loss against average profit"—Rule 13, Cases I and II, Schedule D. Under this section a person who carries on two or more distinct trades can set off the loss sustained in one trade against the profit earned in another trade. It should be specially noted that—

(*a*) The trades must be distinct ;

(*b*) The trades must be carried on by the same person. Thus losses made by a subsidiary company cannot be set off against profits made by its parent company ;

(*c*) Only trades are referred to in the Rule, so that, *e.g.*, an accountant's managing clerk who carries on the trade of a purveyor of those well known Potteries delicacies known as "pikelets," cannot set off his "pikelet" losses against the Schedule E assessment on his salary and bonus (if any). He could, of course, invoke the aid of sect. 34 ;

(*d*) The losses are computed in the same way as profits are computed, so that an adjusted loss for the year to March 31st, 1932, is treated as a sort of minus assessment for 1932-33, and is deducted from the 1932-33 assessment on the other distinct trade.

I have now finished with losses and can turn to the special relieving clauses which apply to—

(*a*) New businesses ;

(*b*) Discontinued businesses ;

(*c*) Changes in proprietorship.

NEW BUSINESSES.

It is outside the scope of my lecture to deal with the method of computation of the liability of new businesses, but as the relief to which I shall refer applies to the second and third years of a newly commenced business, it will be

useful if I state briefly that new businesses are assessed as follows :—

First Year.—On actual profits from the date of commencement to the following April 5th.

Second Year.—On profits of the first full year's trading.

Third and subsequent Years.—On the profits of the year ending in the year preceding the year of assessment to which the accounts are normally made up.

If the trend of profits is downwards, the taxpayer has the option of claiming relief for the second and third years.

Relief was originally given under sect. 29 (1*a*) of the 1926 Act under which the assessment for the second year could be reduced to actual profits, but this section was repealed by sect. 15 of the 1930 Act, which provides that the assessments for both the second and third years (but not one of those years alone) may be adjusted to the respective profits of those years. Notice of a claim under this section must be given in writing to the Inspector within two years of the end of the second year of assessment. It may seem strange that notice can be given soon after the end of the second year of assessment when the effect of the claim depends on the profits of both the second and third years, but it was felt that hardship might result if the taxpayer had to wait until his third year had finished before obtaining relief, especially if his second year were so disastrous that it became very urgent that he should obtain relief as soon as he possibly could. Hence, although a claim after the second year involves the assessment of the third year, it is not desired that the taxpayer should be restrained from making an early claim by reason of uncertainty as to his third year's results. Still less is it desired that the making of an early claim should lead to his suffering more tax than if he had accepted the normal basis of assessment for the two years. For this reason he is allowed to withdraw the claim by notice given within twelve months of the end of the third year of assessment.

It follows that relief claimed after the second year is given despite the possibility that it may have to be withdrawn should the claim be revoked.

Where there is a partial change in proprietorship during the second or third year any notice given under this section after the change must be signed by all the persons interested in the business, both before and after the change, or in the case of a deceased person so interested, by his legal representative.

Thus :—

(*a*) Where a partner interested in the second or third year retires, his written agreement is necessary before a claim can be made ;

(*b*) Where a new partner comes in during the second or third year, his written agreement is similarly necessary ;

(*c*) Where a change takes place in the second or third year and an option has already been exercised, it cannot be revoked except by joint action of all the parties interested.

This section applies to business commenced after April 5th, 1928, but if the business was set up during the year ended April 5th, 1929, relief for the second year only, 1929-30, could be claimed by April 5th, 1931, or, alternatively, relief for both 1929-30 and 1930-31, *i.e.*, the taxpayer who started his business after April 5th, 1928, and before April 5th, 1929, could claim relief for the second year only, or relief for the second and third years together, whichever paid him best. As regards businesses set up after April 5th, 1929, this choice is not possible.

The following example will illustrate the effect of a claim under sect. 15 :—

A commences business on October 1st, 1930, and his profits and losses are as follows :—

Year to September 30th,	1931	Profit £5,000
" " "	1932	Loss £2,000
" " "	1933	Profit £3,000

In the normal way his assessments would be as follows :—

1930-31	$\frac{£5,000}{2}$ = £2,500
1931-32	£5,000
1932-33	£5,000
1933-34	Nil

He claims sect. 15 after the result of his second year is known (before April 5th, 1934). The assessments for 1931-32 and 1932-33 are adjusted to :—

1931-32 .. .. $\frac{£5,000}{2} - \frac{£2,000}{2} = £1,500$

1932-33 .. .. $-\frac{£2,000}{2} + \frac{£3,000}{2} = £500$

Now if his third year had resulted in a profit of £20,000, the assessment for 1932-33 would be :—

$$-\frac{£2,000}{2} + \frac{£20,000}{2} = £9,000$$

Thus his total assessments for the two years would be £10,500, instead of £10,000. He, therefore, revokes his claim before April 5th, 1934, and the assessments for 1931-32 and 1932-33 revert to £5,000 each.

Discontinued Businesses.

The position of discontinued businesses is governed by sect. 31 of the 1926 Act, which provides that :—

(*a*) For the year of discontinuance the assessment *shall* be adjusted to the actual profits of the year of assessment ;

(*b*) For the year preceding the year of discontinuance the assessment *may* be adjusted to the actual profit of the year of assessment, but only if the actual profits exceed the assessed profits.

It will be observed that for the year of discontinuance the adjustment is mandatory whether it is upwards or downwards, but it normally operates as a relief to the taxpayer on the broad ground that, as a rule, less profit is made in part of a year than in a full year.

It will also be observed that the revision for the penultimate year is upwards only, and that the taxpayer has no title to relief if the profits of the penultimate year are less than the assessed profits. This part of sect. 31 is the Revenue's option, a corollary to sect. 15 of the 1930 Act, which is the taxpayer's option.

Sect. 31 came before the Courts in the case of *Manson* v. *Wesley*, which decided that apportionment of trading profits was to be made for the fiscal years ended April 5th.

Example.—Business ceased September 30th, 1931.

Year to December 31st, 1929	£1,500
" " " 1930	£2,000
Nine months to September 30th, 1931	£1,000

Assessments originally :—

1930-31	£1,500
1931-32	£2,000

Assessments after adjustment :—

1930/31 ..	$\frac{3}{4} \times £2,000 + \frac{1}{4} \times £1,000$ = £1,833
1931/32 ..	$\frac{3}{4} \times £1,000$ = £667

CHANGE OF PROPRIETORSHIP.

The section dealing with changes of proprietorship is sect. 32 of the 1926 Act, which forms a new Rule 11 of Cases I and II, Schedule D.

A complete change of ownership is dealt with as from the date of change as :—

(*a*) The cessation of an old business ;

(*b*) The commencement of a new business, and the reliefs applicable to such cases, have already been mentioned.

Such changes as :—

(*a*) Conversion of a private business into a limited company,

(*b*) The transfer of a business by a person or firm to a totally different person or firm,

are complete changes.

Partial changes, *i.e.*, where some person has an interest in the business both before and after the change, are dealt with on the lines of a continuing business, which means assessment on the preceding year basis throughout, unless all parties concerned (predecessors *and* successors) think it would pay them better to be treated on the lines of a discontinued business and new business, and give notice of their joint desire within twelve months (formerly three months) after the change.

Where, in the case of a partial change, the normal preceding year basis is continued, relief is often obtained, *e.g.*, where a new partner is admitted to whom personal allowances are due, by an apportionment of the assessment under Rule 9, Cases I and II.

Where the trend of profits is downwards it may be advantageous to put forward an application to have the liability dealt with on " new " and " discontinued " lines, but two points need careful consideration before so doing.

(*a*) Revision *upwards* for the penultimate year of assessment may be competent.

(*b*) The benefit of carrying forward unexhausted wear and tear may be lost.

If, after these points have been considered, relief is likely to be obtained by exercising the option, the application must be signed by all persons (or their legal representatives) who were partners before or after the change.

The great boon conferred by the new Rule 11 on accountants and inspectors is that under its provisions there is now no necessity to decide what constitutes a " specific cause." Nevertheless, some controversy may be expected respecting it, as witness the case of *Osler* v. *Hall & Co.* The firm of Hall & Co. consisted of three partners. In March, 1929, one partner retired and a new one was admitted, and in March, 1930, a further partner was admitted. On the first change no notice was given that the business should be treated as " new," but on the second change such notice was given. It so happened that the penultimate year (1928-29) was a good year, and an additional assessment was raised *on the second partnership* under sect. 31 of the 1926 Act. This assessment, however, was discharged by the Courts on the ground that, as the original assessment for 1928-29 had not been apportioned between the first and second partnership under Rule 9 of Cases I and II, the second partnership had, in effect, never been charged for the year 1928-29, and so an *additional* assessment was not competent.

This, of course, was a purely technical point, so that we may expect to hear more of the new Rule 11 as special cases arise under it.

ERROR OR MISTAKE.

Under the provisions of sect. 24 of the 1923 Act, as amended by sect. 27 of the 1926 Act, if a person has been overcharged in an assessment under Schedule D, or in an assessment under Schedule B in respect of nursery and/or market garden profits, by reason of an error or mistake in the return or statement which he rendered for purposes of the assessment, it is open to him to claim relief in respect of the overcharge.

This particular relief is, of necessity, one which must be narrowly construed in practice, and so it must be borne in mind that no relief is admissible :—

(*a*) Where the basis on which the return or statement was made was that generally prevailing at the time it was rendered.

(*b*) Where the assessment was not based on the return or statement.

(*c*) Where no return or statement has been made.

It follows from (*a*) that a decision of the Courts given after the date of the return gives no title to the relief.

The words " error or mistake " cover " sins " of omission as well as " sins " of commission and errors arising from a misunderstanding of the law, as well as erroneous statements of fact. The word " statement " is generally regarded as including accounts or a computation rendered by the taxpayer.

Examples of " errors " admissible for the relief are :—

(*a*) The non-deduction of an admissible expense.

(*b*) The non-deduction of Schedule A.

(*c*) Omission to claim wear and tear allowance.

(*d*) Omission to claim the extra deduction for repairs in the case of mills and factories.

(*e*) Omission to claim relief under Rule 13—set off of loss in one trade against profit in another trade.

The application for relief under sect. 24 must be made not later than six years after the end of the year of assessment within which the assessment was made. The application should, in strictness, be made to the Board of Inland Revenue, but in practice it is made to and dealt with by the Inspector. An appeal against the Board's decision lies to the Special Commissioners, and—unlike sect. 34 of the 1918 Act and other " applications for relief "—a further appeal lies to the High Court on any point of law involved.

Cases III, IV and V, Schedule D, have certain special reliefs of their own.

Case III.—You will remember that the basis of assessment for Case III was altered by sect. 17 of the 1922 Act owing to the anomaly thrown up in the former basis by the case of *National Provident Institution* v. *Brown* (8 T.C., 57). Proviso (ii) to Rule 2 (*b*) of Case III gives relief in the following circumstances :—

(*a*) If the income first arises on April 6th in any year, the second year's assessment can be reduced to " actual " basis instead of " preceding year " basis.

(*b*) If the income first arises on a date other than April 6th in any year, the third year's assessment can be similarly reduced.

In other words, the second *full* year of assessment, which is based on the income of the first *full* year can be reduced to the actual income of the year of assessment. Notice of a claim to this relief must be given within twelve months of the end of that year of assessment.

Difficulties as to the unit of assessment under Case III were revealed by the case of *Grainger* v. *Mrs. Maxwell's Trustees* (10 T.C., 139), and to meet them sect. 80 of the 1926 Act was passed. Relief is possible under this section

in respect of the cessation of the source or any part of the source of the income. Such cessation is treated as the cessation of a trade, and adjustments are made under sect. 31 of the 1926 Act.

It will be observed, incidentally, that—

(*a*) In the case of fixed interest bearing investments, where the interest in untaxed, *e.g.*, War Loan, the effect of the various sections is that the assessment of the year is always equal to the income of the same year;

(*b*) In Case III, as in Cases I and II, there is a "taxpayer's option" in the early years and a "Revenue's option" in the last years.

One very curious—indeed, unique—relief is to be found in Case III. You will remember that by sect. 28 of the 1926 Act certain subjects of assessment were transferred from No. II of Schedule A to Case III of Schedule D. One of those subjects is fines received in consideration of a demise of non-manorial lands or tenements, and if any part of the fines is applied as productive capital on which there arises a profit chargeable to tax for the same year, relief is granted on such part. This relief is worthy of mention because it is the only case in which the destination of profits affects the assessment on those profits. It even formed the subject of a High Court case —*Lord Mostyn* v. *London* (3 T.C., 294)—in which it was decided that fines placed on deposit at a bank were not applied as productive capital.

Cases IV and V.—By sect. 29 (i) Proviso (*b*) of the 1926 Act, the basis of assessment for Cases IV and V was made to follow the Case III basis, so that the same relief in respect of the second full year which we have seen under Case III can be obtained. Sect. 30 of the 1926 Act, while providing the relief that is possible on the cessation of the source or part of the source—and, incidentally, providing the Revenue's option in the final years as a corollary to the taxpayer's option in the initial years, just as in Case III—also secured an appropriate adjustment for the taxpayer where the income formerly chargeable under Cases IV or V became taxed at the source.

Schedule E.—One might say that Schedule E gets more like Schedule D every year, for when the basis of assessment was so radically changed by sect. 45 of the 1927 Act, it followed that for Cases III, IV and V of Schedule D, and consequently the special reliefs for Schedule E follow certain of the Schedule D reliefs. As the time limits, effects and modes of application have been fairly exhaustively treated in my earlier remarks, it will suffice if I summarise them as follows:—

(*a*) *Early Years of Assessment.*—For the second *full* year of assessment, which is normally based on the first *full* year's emoluments, the taxpayer may claim a reduction in the assessment to the actual emoluments of the year (sect. 45 (4)).

(*b*) *Last Years of Assessment.*—The cessation of the employment is treated exactly as the cessation of a trade, so that the final year's assessment is adjusted to the actual emoluments of the period from April 6th to the date of cessation. This normally grants relief to the Schedule E taxpayer. The penultimate year's assessment is adjusted to the actual emoluments of that year, but only if the assessment is less than the emoluments. Thus Schedule E also has its "taxpayer's option" and "Revenue's option," the former in the initial years and the latter in the final years of the employment.

(*c*) The "error or mistake" relief was extended to Schedule E by sect. 45 of the 1927 Act.

I mentioned in my earlier remarks the care which the legislature takes to meet cases of hardship on the establishment of a new law. This care is further exemplified by sect. 45 (3) of the 1927 Act, which gave a transitional relief to taxpayers who would have suffered in 1928-29 by the change of basis under Schedule E. The section provided that the change could be deferred for two years on due notice being given, and to those taxpayers whose emoluments showed a downward trend it afforded a measure of relief. As, however, notice had to be given by June 30th, 1929, that relief is not now of more than academic interest.

PUBLIC AUDITORS

Under the Friendly and Industrial and Provident Societies Acts.

The Lords Commissioners of His Majesty's Treasury have been pleased to appoint the following Incorporated Accountants to act as Public Auditors for Great Britain for the year ending December 31st, 1933, under the provisions of the Friendly Societies Act, 1896 (59 & 60 Vict., cap. 25), and the Industrial and Provident Societies Act, 1893 (56 & 57 Vict., cap. 39), viz:—

Acock, R. G., 69, London Street, Norwich; Wayland Hall, Watton, Norfolk.
Alban, F. J., C.B.E., Barclays Bank Chambers, Newport, Mon.
Alexander, J. H., City Chambers, East Parade, Leeds; 12, Gladstone Street, Cross Keys; York House, Blackwood (Mon.); Market Buildings, Ebbw Vale; 15, Commercial Street, Pontypool.
Alexander, N., British Columbia House, 1, Regent Street, Waterloo Place, S.W.1.
Allen, H. J., 37, Surrey Street, Sheffield.
Amsdon, E. V., 22, Walbrook, E.C.4; 22, High Street, Hitchin; 18, High Street, Beckenham.
Anderson, L. A., 137, High Street, Brentwood.
Andrews, E., 12, Abbey Square, Chester.
Antoine, B. W., opposite Broadway Stations, Ealing, W.5.
Armson, G. A., Bank House, 95, High Street, Lewisham, S.E.13; 58, Burnt Ash Lane, Bromley, Kent.
Armstrong, J., 22, Station Road, Workington.
Armstrong, J. W., Northern Assurance Buildings, 2, Collingwood Street, Newcastle-upon-Tyne.
Arnold, C., 27, Bodfor Street, Rhyl; 1, Record Street, Ruthin, Denbighshire; 22, Vale Street, Denbigh.
Arnold, F. V., Midland Bank Chambers, 153, North Street, Brighton; Midland Bank Chambers, 6, West Street, Horsham; Flint House, 44, South Street, Chichester.
Ashworth, W., 7A, Yorkshire Street, Burnley.
Atkins, J. R., 76, Derby Street, Macclesfield; 54, Lawton Street, Congleton.

Baines, J. V., Curry's Chambers, 115, High Street, Stockton-on-Tees.
Baker, W. B., 1, Silver Street, Berwick-on-Tweed.
Bardell, A. P., 36, Paradise Street, Birmingham.
Barker, A. E. S., 20, Church Street, 2nd Floor, West Hartlepool.
Barrowcliff, C. Percy, 55 and 57, Albert Road, Middlesbrough.
Bartlett, R. Wilson, J.P., 24, Bridge Street, Newport, Mon.
Bayliss, L. M., Garlett House, Leighton Buzzard; Market Square, Buckingham.
Bayliss, W. M., 16, Broad Street, Oxford.
Beer, W. W., 17, Bedford Circus, Exeter.
Benbow, L., 2A, Sheep Street, Northampton.
Benjafield, A. J., 30, Chamberlain Street, Wells, Somerset; 27, High Street, Glastonbury.

Bennett, C. H., High Holborn House, High Holborn, W.C.1.
Bennett, H. O., 5, Opie Street, Norwich.
Bicker, H. J., Exchange Buildings, Upper Hinton Road, Bournemouth.
Binns, J., Exchange Buildings, Mirfield, Yorkshire.
Black, W. C., 147, High Street, Newport, I.O.W.; 17, King's Terrace, Southsea; 57, High Street, Ventnor (I.O.W.).
Blythen, S., O.B.E., Victoria Chambers, Long Eaton.
Bowen, G. Brinley, 22, Wind Street, Swansea.
Braddy, C. W., 107A, High Street, Winchester.
Bradley, E. R., 584, Christchurch Road, Boscombe.
Branson, R. M., Allen House, Newarke Street, Leicester.
Brazier, A. G., "Lavadra," Okehampton, Devon.
Brewer, A. H., 3, Wood Street, Queen Square, Bath.
Broadbent, J. W., 34, Kensington Road, Oldham.
Brodie, J. Paterson, Moor House, Moorland Road, Burslem; 1, Hoghton Street, Southport.
Brodie, R. M., 29, Scale Lane, Hull.
Bromfield, J. H., The Burrage, Dingle Road, Pedmore, near Stourbridge.
Brown, E. T., Gresham Chambers, Lichfield Street, Wolverhampton; Barclays Bank Chambers, Bilston.
Bryant, A. C., 18, St. Augustines Parade, Bristol.
Buckle, C. D., 13, Cheapside, Bradford.
Buckley, A. N., Union Chambers, 45 and 47, Commercial Street, Halifax.
Bull, E., Bank Chambers, Devizes; 47, Market Place, Warminster.
Bullock, W., 31, Blackford Brow, Whitefield, near Manchester.
Burgess, G. W., 14, St. Mary Axe, Leadenhall Street, E.C.3.
Burlinson, W. D., Union Bank Chambers, Batley.
Bush, B., 18, Eldon Square, Newcastle-on-Tyne.
Butler, J., 66, Albion Street, Leeds.

Campbell, D. E., 79, Lichfield Street, Wolverhampton.
Carr, E. R., Stamford Bank Chambers, 10, Gallowtree Gate, Leicester.
Carr, W., 27, Regent Street, Barnsley.
Carter, E., County Chambers, King Street, Wakefield.
Cattell, W. C., Bank Chambers, High Street, Kettering; Argus Chambers, High Street, Rushden.
Cessford, J. C., 23, Albany Street, Edinburgh.
Chadwick, A., 16, Bolton Street, Bury, Lancs.; 8, Garden Street, Ramsbottom, Lancs.
Chapman, J. A., 29, London Street, Fleetwood; 2, Burton Street, Middleton.
Charles, W. H., 3, Greenfield Villas, Llanelly.
Claridge, C. E., 53, Well Street, Bradford.
Clark, W., County Bank Chambers, Bradshawgate, Leigh, Lancs.
Clarke, F. N., 4, Pavilion Buildings, Brighton; Town Hall Chambers, Horsham.
Clarke, S. W., 31, Castle Hill, Lancaster.
Clarkson, J. Paxton, 16, Devonshire Square, Bishopsgate Street, E.C.2.
Clarkson, P. D. J., 14, Winckley Square, Preston; Kent's Bank Road, Grange-over-Sands, Lancs.
Clayton, W., Milton Chambers, Milton Street, Nottingham.
Clinch, S. H., M.B.E., 119, Moorgate, E.C.2; Hurdis House, Broad Street, Seaford, Sussex.
Coates, F. W., 10, Albert Road, Middlesbrough; 5, The Crescent, Redcar.
Condie, J., 3, East Port, Dunfermline; 1A, Candleriggs, Alloa.
Coombs, T., Oxford Chambers, Victoria Square, Leeds.
Cooper, D., Old Colony House, South King Street, Manchester.
Costello, J. E., 90, Cannon Street, E.C.4.
Couzens, J. V., 86, Fratton Road, Portsmouth; Lavant Street, Petersfield.
Cox, H. J., Cardiff Chambers, 4, Cardiff Road, Luton; 2, Vaughan Road, Harpenden, Herts.
Cozens, L. J., 8, East Stockwell Street, Colchester.
Crick, Miss F. G., Milton House, 38, Cowgate, Peterborough; 22, Station Street, Spalding; North Road, Bourne.
Crompton, W., 380-6, and 351-3, Produce Exchange, Hanging Ditch, Manchester.
Crowe, S. E., 1, Albion Street, Leeds.
Crowther, E., 10, Regent Street, Barnsley.
Cryer, F. J., 5, Princes Square, Harrogate; Market Place, Ripon.
Cryer, M. P., Old Bank Chambers, Keighley.
Cunliffe, A. R., Station Buildings, 24A, Railway Street, Nelson.

Daffern, T. W., O.B.E., 19/20, High Street, Coventry; 16, The Parade, Solihull, Warwick.
Davey, H., 1, Crown Court, Wakefield.
Davies, O. W., Market Chambers, High Street, Kidderminster.
Davies, Trevor, 160, High Street, Camden Town, N.W.1.
Davies, Tudor, Wyndham House, Bridgend.
Davis, B. T., 110, Edmund Street, Birmingham.
Davis, R., 28, High Street, Swindon.
Dixon, F., National Chambers, 4, Horsefair Street, Leicester.
Dudbridge, J. S., 8, Lansdown, Stroud, Glos.
Dudbridge, S., 8, Lansdown, Stroud, Glos.; Queen Street Chambers, Gloucester.
Duncan, D. C. N., Barclays Bank Chambers, 55, High Street, Grantham.
Dunlop, R. T., 45, Renfield Street, Glasgow.
Duthie, R. S., 36, Lowther Street, Carlisle.
Dyer, C. E., 32, Milton Park, Highgate, N.6; West View, 94, Woodlands Avenue, Finchley, N.3.
Dyer, S. A., 5, Fenwick Street, Liverpool.

Eaves, W., 47, Mosley Street, Manchester; County Bank Chambers, Chapel Street, Tyldesley.
Ednie, A., 7, St. Paul's Square, Bedford.
Edwards, A. H., 22, High East Street, Dorchester.
Edwards, H., Cornhill Chambers, Christina Street, Swansea.
Edwards, R. H., Bank Chambers, 26, Mosley Street, Newcastle-upon-Tyne.
Elliott, E. A., 18, Market Street, Heywood, Lancs.
Evans, H. R., 17, George Street, St. Helens; Westminster Bank Chambers, Church Street, Prescot, Lancs.
Evans, T. A., Ffrwd Offices, Mountain Ash.
Evershed, A. E., Sundial House, 49 and 50, High Street, Guildford; 1A, High Street, Camberley; High Street, Cranleigh.

Fearnhead, J., 20 and 22, High Street, Chorley, Lancs.
Feek, A. J., High Street, Pershore, Worcester.
Feist, H. J. B., 44, Rectory Grove, Leigh-on-Sea.
Ferneyhough, M. P., 6, Commerce Street, Longton, Staffs.; 23, Market Street, Hednesford, Staffs.
Ferry, G. A., Prudential Chambers, 6/8, Bank Street, Carlisle.
Ford, W. J., 28, Baldwin Street, Bristol.
Forster, H., County Chambers, 6, Chestergate, Macclesfield.
Fortune, G. W., 26, Forrest Road, Edinburgh.
Foster, S. E., 29, Bank Street, Ashford, Kent.
Fox, F. W., 14, King Street, Leicester.
Fox, W. H., Drury Chambers, Market Square, Northampton.
Freeborough, J. H., 25, Figtree Lane, Sheffield.
Friend, A. H., 15, Alexandra Place, Newbridge, Mon.
Fry, F. W., 27, Clement's Lane, Lombard Street, E.C.3.
Funnell, F. C., 104, Great Russell Street, W.C.1.

Gair, R., Emerson Chambers, Blackett Street, Newcastle-upon-Tyne.
Gait, A., 1, The Foundry Bridge, Abertillery.
Gardiner, G. F. H., Barclays Bank Chambers, Scarborough.
Gardiner, H., 1A, Low Ousegate, York.
Gardiner, H. T. Gore, Gore House, Cawley Road, London, E.9.
Gerrard, R., 71 and 73, Lee Lane, Horwich, Lancs.
Gill, F., Martins Bank Chambers, Bradford.
Girling, A. F. J., Eldon Buildings, 20, Eldon Street, Barnsley.
Goulding, E. S., O.B.E., 19, Sweeting Street, Liverpool.

Gowen, H. P., 7, Queen Street, Norwich; The Square, Fakenham, Norfolk; 13, Market Place, East Dereham.
Grassam, J., 32, Alliance Avenue, Anlaby Road, Hull.
Greenhalgh, T., Clifton Chambers, 23A, Clifton Street, Blackpool; Williams Deacons Bank Chambers, St. Annes-on-Sea.
Greenwood, A., Old Borough Chambers, 20, Bond Street, Dewsbury.
Griffin, C. E. B., Corporation Buildings, Corporation Street, St. Helens.
Griffin, G. R., 7/8, Union Street, Birmingham.
Griffith, F., Westmorland Chambers, Kendal.
Griffith, R. O., 44, Cannon Street, Preston; 40, Poulton Street, Kirkham.
Griffiths, J. Pearson, 10, Clarence Place, Docks, Cardiff.
Grimwood, Lieut.-Col. J., C.B., D.S.O., O.B.E., St. Stephen's House, 2, Coleman Street, E.C.2.
Groves, T. J., 14, Scarborough Street, West Hartlepool.

Hackett, P. R., 36, Cannon Street, Birmingham.
Hallett, A., Eleven, Hill Street, Wrexham, Denbigh; Lloyds Bank Chambers, Ellesmere, Salop.
Hanson, F. W., Court Chambers, Jessop Street, Castleford, Yorks; Chapel Lane, Kippax.
Hargreaves, F., Bow Chambers, 55, Cross Street, Manchester.
Harper, F. C., 3/4, Clement's Inn, W.C.2.
Harris, H., 4, Middle Pavement, Nottingham.
Harrison, C. D., Messrs. John Potter & Harrison, 22, Birley Street, Blackpool; Messrs. John Potter & Harrison, 36, Wood Street, St. Annes-on-Sea.
Harrison, E., 23, Highbury, Newcastle-upon-Tyne.
Harrison, H. C., 94, High Street, Stourbridge.
Hayden, G. D., Market Place, Holt, Norfolk.
Hayes, P. R., Midland Bank Chambers, High Street, Wrexham; Compton House, Corwen, Merioneth.
Hayhow, G. S., Purdy's Court, 84A, High Street, King's Lynn.
Heatley, N. K., Temple Chambers, 33, Brazennose Street, Manchester.
Heatley, R., Temple Chambers, 33, Brazennose Street, Manchester.
Heckels, R. D., 65, Coleraine Road, Blackheath, S.E.3.
Henderson, A., 62, Cross Street, Fraserburgh.
Henshall, J., 29, Eastgate Row North, Chester.
Hepburn, A. E., Abford House, Wilton Road, Victoria Station, S.W.1.
Hill, A. H., 8, Oxford Chambers, St. Stephen Street, Bristol.
Hirst, G. L., 8, Bond Street, Dewsbury.
Hobbs, A. M., 64, Great Portland Street, W.1.
Hodge, H., National Provincial Chambers, High Street, Kettering.
Hodgson, R. T., 96, High Street, Stockton-on-Tees.
Hodgson, T., 4, Piccadilly, Manchester.
Holliday, C. A., First Avenue House, High Holborn, W.C.1.
Hollows, R., 33A, King Street, Wigan.
Holman, W. J., 11, Queen Victoria Street, E.C.4.
Holmes, H., 45, Ropergate End, Pontefract.
Holmes, J. T. L., Midland Bank Chambers, Colwyn Bay; Nelson Buildings, Water Street, Abergele.
Homersham, Miss M. M., 106, St. Clement's House, Clement's Lane, E.C.4; Boyton, Woodbridge, Suffolk.
Horsfield, A., Silver Street Chambers, Bury.
Horsfield, H. A., Clough's Buildings, 21, Forster Square, Bradford.
Hort, J. H., 202, Stanley Road, Bootle.
Hubbard, F. L., 41, Havelock Road, Hastings: Endwell Chambers, Endwell Road, Bexhill-on-Sea.
Hudson, T., 53, Well Street, Bradford.
Hustwick, W., 70, Kirkgate, Bradford.
Hutcheson, G. W., 44, Biddulph Mansions, W.9.

Ingram, A. J., Central Buildings, West Sunniside, Sunderland.

Jack, W. Harris, 38, Bath Street, Glasgow.
Jenkins, W. R. L., 71, Bridge Street, Newport, Mon.
Jennings, F., Borough Chambers, Neath; Herbert Street, Pontardawe.
Jessap, C. T., M.B.E., Barlow Chambers, Lumley Road, Skegness.
Johnson, A. J., 35, Southgate Street, Winchester.
Johnson, E. W., Arcade Chambers, Wigan.
Johnson, S., 5, Lower Temple Street, Birmingham.
Johnstone, W., 13, Church Street, Kidderminster.
Jones, E. Furnival, 4, Fenchurch Avenue, E.C.3.
Jones, H. B., 5, Philpot Lane, E.C. 3; 102, Queen Street, Maidenhead.
Judge, W. A., High Street, Skipton.

Keens, A. T., 45, High Street, Aylesbury, Bucks.
Keens, Thomas, D.L., 11, George Street West, Luton; Greenhill Chambers, 2, St. Anne's Road, Harrow-on-the-Hill, Middlesex; 69, High Street, Stony Stratford, Bucks.; 60, High Street, Newport Pagnell, Bucks.; 15, Market Square, Buckingham; 6, Tilehouse Street, Hitchin.
Kenyon, F. T., Midland Bank Chambers, Penrith; Main Street, Keswick.
Keys, C., Athæaeum Chambers, 71, Temple Row, Birmingham; 321, High Street, West Bromwich.
Kilby, F. L., 1, Park Street, Brighouse, Yorks.
King, G. C., 106, Edmund Street, Birmingham.
Kneale, H. E., St. George's Chambers, 1, Athol Street, Douglas, Isle of Man; Victoria Chambers, Parliament Street, Ramsey, Isle of Man.

Lake, J., 9/12, Gower Chambers, Gower Street, Swansea.
Lambert, W. E., Essex House, High Street, Stratford, E.15.
Larder, C., Camomile Street Chambers, Bishopsgate, E.C.3.
Larking, C. G., Invicta Chambers, Pudding Lane, Maidstone.
Larking, R. C., Commercial Chambers, Orford Place, Norwich.
Lashmore, C. S., 2, Church Street, Cardiff.
Law, E. I., A. & E. Law & Co., Kingscourt, Bridge Street, Walsall; High Street, Northallerton.
Lawson, G. R., Palmerston Buildings, 5, Manor Row, Bradford.
Laycock, S., Barclays Bank Chambers, North Street, Keighley.
Lazenby, H., Wilson's Chambers, 7, Greek Street, Leeds.
Leah, H. B., 9, Warren Street, Stockport.
Lee, F., 7, Balmoral Chambers, Cloth Hall Street, Huddersfield.
Lentell, C. I., Montpelier Chambers, Sidmouth Street, Seaton, Devon; 49, Broad Street, Lyme Regis.
Liversidge, H. G., Imperial Buildings, Rotherham.
Lloyd, J. T., 63, Fore Street, Trowbridge.
Lloyd, W., Friory Buildings, Priory Street, Dudley, Worcs.
Lloyd-Roberts, J., Public Audit Offices, 2, Church Street, Carnarvon; "Cemlyn," Harlech, Merioneth.
Lock, F. J., Northbank House, Clarendon Road, Watford
Lowe, J. T., Yorkshire Penny Bank Chambers, 7, Stricklandgate, Kendal, Westmorland.

McCutcheon, R. T., 113, St. Vincent Street, Glasgow, C.2.
McDonald, T. W., 98, Palmerston Road, Wood Green, London, N.22.
Macintyre, A., Muirbrow Chambers, 118, Cadzow Street, Hamilton.
Mahon, F., 4 and 5, Oriental Chambers, Doncaster.
Mair, A. J., 5, Frederick Street, Sunderland.
Martin, J. W., 17, Dormer Place, Leamington Spa, Warwickshire.
Mason, E. H., 9, Clarence Street, Cheltenham.
Mawson, J. D., 51, Boileau Road, Ealing, W.5.
Mayhew, W. O., 62, Oxford Street, W.1; Richmond Road, Bognor Regis.
Merchant, H. A., 48, Uxbridge Road, Ealing, W.5; 25, The Broadway, Southall, Middlesex; 75, High Street, Slough.
Metcalfe, S., 9, Swinnow Drive, Pudsey.
Milford, C. A., Cheapside, Settle, Yorks.
Millman, H. T., Allen House, Newarke Street, Leicester.
Mills, F. W. T., 6, Priory Place, Doncaster; 167, High Street, Scunthorpe.
Milne, R., 68, Bath Street, Glasgow.
Miskin, A., 8, Portland Street, Southampton.

Moffat, F., 126, High Street, Falkirk.
Moger, J. R., Martins Bank Chambers, Cleckheaton, Yorkshire.
Moores, C. S., 15, Bedford Circus, Exeter.
Morgan, E. C., Crown Chambers, High Street, Newtown, Montgomery.
Mortimer, A. G., Prudential Buildings, 189, Hoe Street, Walthamstow, E.17.
Moss, F., Market Place, Ashton-under-Lyne.
Moss, J., 28, Queen Street, Albert Square, Manchester.
Moulton, P. A., 21, Regent Street, Barnsley.
Moustardier, M., 69, Downs Road, Clapton, E. 5; 50, Castle Road, Southsea.
Mullens, G. G., 49, Station Road, Port Talbot.

Naylor, R. O., 39, Chatsworth Road, Morecambe; The School House, Tebay.
Neill, A., Westminster Bank Chambers, 196 and 198, High Street, Stoke Newington, N.16.
Nelson, C. Hewetson, J.P., 43, Castle Street, Liverpool.
Nicholson, J., 185, High Street, Lincoln; Market Rasen, Lincs.
Norfolk, W. J., 8, Colne Road, Clacton-on-Sea.

Oates, G. G., 4 and 5, Oriental Chambers, Doncaster.
Oldfield, J. W., 5, Rose Grove, Mytholmroyd, Yorks.
Oldfield, W., 72, Castle Street, Hinckley.
Oldman, A. S., 27, North Albert Street, Fleetwood, Lancs.
Oxley, H., 22, Regent Street, Barnsley.

Page, J. C., May Buildings, 51, North John Street, Liverpool.
Palmer, A. J., 5, West Street, Fareham, Hants.
Palmer, E. H., Bentinck Buildings, Wheeler Gate, Nottingham.
Paterson, James, 13, Hamilton Street, Greenock; 18, Castle Street, Rothesay, Bute.
Payne, C. C., 6, Market Place, North Walsham, Norfolk; Red Lion Street, Aylsham.
Payne, W. H., 8 and 9, Martin Lane, Cannon Street, E.C.4.
Pearce, E. E., Charles Street Chambers, 4, Charles Street, Cardiff.
Pearce, M. E. J., 102, High Street, Poole, Dorset.
Pearson, W., 5, Godwin Street, Bradford, Yorks.
Pellatt, A. P., 26, Cheriton Road, Folkestone; 132, High Street, Hythe, Kent.
Petrie, J. McR., Martins Bank Buildings, Bacup.
Pettitt, S. R., Lloyd's Bank Chambers, 45/47, Old Christchurch Road, Bournemouth.
Platts, T. H., 126, Colmore Row, Birmingham; 2, Dudley Port, Tipton.
Pocock, B. G., 90, Leith Mansions, Maida Vale, W.9.
Pratt, A. J. S., 102, Victoria Road North, Portsmouth.
Pratt, H. W., Church Way, Silver Street, Wellingborough.
Prior, F. A., General Buildings, Bridlesmith Gate, Nottingham.
Procter, S., County Bank Chambers, 41, Burnley Road, Padiham, Lancs.
Pugh, A. E., 19, Carlton Chambers, High Street, Newport, Mon.

Rawlinson, E. B., Netherwood Chambers, 1A, Manor Row, Bradford.
Rees, W. H. S., 1, Charlesville Place, Neath, S. Wales; The Docks, Milford Haven.
Revell, H. W., Prudential Buildings, New Street, Huddersfield.
Revell, T., Standard Buildings, City Square, Leeds.
Reynolds, J. W., 49, Bank Street, Bradford.
Rhodes, J., 31, Manor Row, Bradford.
Rhodes, W. H., Prudential Chambers, 10, Grey Friars, Leicester.
Riches, E. J., 12, Bank Street, Norwich; Hamilton House, Church Street, Cromer.
Riddington, C. R., Crown Buildings, Loseby Lane, Leicester.
Riley, H., 14, Park Square, Leeds; Layton Road, Rawdon, near Leeds; Tinshill Lane, Horsforth, near Leeds.
Ritchie, P. G., 38, Bath Street, Glasgow.
Robathan, P. E., Imperial Buildings, Mount Stuart Square, Cardiff.
Rodger, T., 29, Grainger Street West, Newcastle-upon-Tyne.
Rogerson, C. E., York House, 12, York Street, Manchester.
Rollinson, C. E., Westgate Chambers, Newport, Mon.
Ross, G., 31, Queen Street, Cardiff.
Rowe, C. N., Town Hall Chambers, Bromsgrove.
Rowland, F. S., 90, Pilgrim Street, Newcastle-upon-Tyne.
Russell, P. W. G., 1, St. Martins, Leicester.
Russell, W. G. A., Ruskin Chambers, 191, Corporation Street, Birmingham.
Ryland, H. C., 18, Defoe Avenue, Kew Gardens, Surrey; 103, High Street, Brentford.

Scarlett, C. S., 5, Cecil Square, Margate; 36, High Street, Ramsgate.
Schofield, A., 16 and 17, East Parade, Leeds.
Shaw, E. B., Imperial Chambers, 43, New Street, Huddersfield.
Shepherd, J. W., C.B.E., 78, King Street, Manchester.
Shepherd, W. A., 50, Tredegar Street, Risca, Mon.
Sievwright, W. B., 3, Kinnoull Street, Perth.
Simmonds, H. J., 1, Tremadoc Road, Clapham, S.W.4.
Sinclair, G. N., Prudential Chambers, Oswestry.
Singleton, J. T., Grosvenor Chambers, 23, King Street, Nottingham.
Slater, H., Sussex House, Hobson Street, Cambridge; Primrose House, High Street, Newmarket.
Slater, J. T., 11, Queen Street, Oldham.
Sleeman, A. W., 10, Northampton Place, Street, Swansea.
Slipper, R. A., Bridgeway House, Hammersmith Bridge Road, W.9; 215, High Street, Hounslow.
Smith, O. H., 64, New Road, Chippenham, Wiltshire.
Smith, W., 56, London Road, N., Lowestoft.
Snow, W. K., 55, Quarry Street, Guildford; 4 and 5, Station Hill, Farnham, Surrey; 4, Carfax, Horsham, Sussex.
Soddy, R. J., 55, Gildredge Road, Eastbourne.
Sowerbutts, T. W., 16, St. Mary's Parsonage, Manchester.
Sparrow, G. W., 9, Corridor Chambers, Leicester.
Spicer, R. C., 5, Bank Plain, Norwich.
Starkie, R. E., Greek Street Chambers, Leeds.
Stembridge, P. G., Town Hall, Droitwich Spa.
Stephens, C. T., Post Office Chambers, Pontllanfraith, Mon.
Stephens, F. W., Liverpool House, 15/17, Eldon Street, E.C.2.
Stephenson, J., O.B.E., Queen Street Chambers, Peterborough; Queen's Chambers, Bargate, Boston; Portland Chambers, Market Place, Spalding; 22, Castlegate, Newark-on-Trent; Broadway, St. Ives, Hunts.; 17, High Street, Stamford; 1, Grays Lane, March; 30, High Street, Huntingdon; Park Street, Chatteris; Barclays Bank Chambers, 81, High Street, Scunthorpe; Market Chambers, St. Neots, Hunts.; 13, Market Place, Brigg; Foresters Hall, Long Sutton; The Hall, Thorne; 8, Lion Street, Brecon.
Storey, R. G., 8, Oxford Chambers, St. Stephen Street, Bristol.
Sturges, H. H., 1, Guildhall Chambers, 31, Basinghall Street, E.C.2.
Sunderland, W., Craven Bank Chambers, North Street, Keighley.

Tamplin, J., Westgate Chambers, Newport, Mon.
Tessier, A. N., 279, Borough High Street, S.E.1.
Thomas, D. B., Post Office Chambers, Merthyr Tydfil; Bryn Taf Offices, Treharris, Glam.; 7, Cross Morlais Street, Dowlais, Glam.
Thomson, J., The Crescent, 115, Drake Street, Rochdale, Lancs.
Thomson, R. C., Meadow House, 64, Reform Street, Dundee.
Thornley, J. C., Central Chambers, 1, Norfolk Street, King's Lynn; High Street, Hunstanton.
Thurgood, J., 61, High Street, Mexborough.
Townsend, H., 16, Weston Park, Crouch End, N.8.
Tullett, W., Market Place, Darlington.
Tunbridge, S. T., 6, South Quay, Great Yarmouth.
Tyler, G. H., Central House, 75, New Street, Birmingham.

Vizard, L., 2, Clarence Parade, Cheltenham.

Vizard, L. N., 2, Clarence Parade, Cheltenham.
Walker, G. H., 37, Southgate, Halifax.
Walker, Percy H., 4, Park Place, Cardiff; The Arcade, Cowes, I.O.W.
Walker, R. B., 1, Richmond Terrace, Blackburn.
Walker, W., 13, East Parade, Leeds.
Wallace, W. D., 48, Loughborough Road, Kirkcaldy.
Wallis, S. I., 3, King John's Chambers, Bridlesmith Gate, Nottingham.
Walters, W. L. J., Masonic Chambers, Gillingham, Dorset; Market Square, Sturminster Newton.
Walters, W. T., Middle Street, Yeovil.
Walton, A., 7, Bond Place, Leeds.
Walton, N. H., Midland Bank Chambers, Sunderland.
Ward, A., Martins Bank Chambers, 25, Sunbridge Road, Bradford.
Wareing, J., 11, Chapel Street, Preston.
Warmington, W. H., Overbury, Tewkesbury.
Warren, R., 3, Victoria Place, Haverfordwest; 28, High Street, Cardigan.
Watson, A., County Buildings, 4, Cannon Street, Manchester.
Watson, O. A., 10, Peacock Lane, Leicester.
Watts, Miss E., 77, Chandos House, Palmer Street, Victoria Street, S.W.1.
Waud, N., "Melrose House," St. Sampson's Square, York.
Webb, E., 34, Grand Parade, Brighton.
Wells, C. H., Independent Buildings, 21, Fargate, Sheffield.
West, H. W., Bank House, 618, Romford Road, Manor Park, E.12.
White, A. M., Erskine Chambers, 15, Grainger Street West, Newcastle-upon-Tyne.
White, E. G., Bank Chambers, Lammas Street, Carmarthen; 33, Quay Street, Ammanford.
White, J. C., 32 and 34, High Street, Sutton, Surrey.
White, P., M.B.E., 6, Sussex Terrace, Princess Square, Plymouth.
Whiting, W. F., Bridge Buildings, Nene Quay, Wisbech; Market Place, March.
Williams, E. Clarke, 65, Oxford Street, Whitstable.
Williams, E. J., Exchange Buildings, 14, Lowther Street, Carlisle.
Williams, E. K., Maridon Chambers, 30, North John Street, Liverpool.
Williams, G. R., 26, Windsor Place, Cardiff.
Williamson, J. H., Market Place, Ashton-under-Lyne.
Wilson, F. O., British Dominions House, 30, Cross Street, Manchester.
Windle, R. S., Midland Bank Chambers, Barnoldswick.
Witty, Richard A., 6, Dowgate Hill, Cannon Street, E.C.4.
Wolstenholme, E. J., Crown Chambers, 36, Yorkshire Street, Rochdale.
Wood, D., M.B.E., 73, Windsor Avenue, Hillingdon, Middlesex.
Wood, H., 179, Dock Street, Newport, Mon.
Woolley, Fred, J.P., 8 and 10, Portland Terrace, Southampton; 18, St. Thomas Street, Lymington.
Yearsley, A., 84, Warrington Street, Ashton-under-Lyne.

TELEPHONE MESSAGE SERVICE.

An ingenious arrangement has been made by a company called Cetex Limited, whose offices are at 19, Grosvenor Place, London, whereby for a small subscription telephone users may ensure that messages arriving in their absence shall be delivered to them at any address which they may advise. The arrangement is in the nature of a telephone message clearing house with a staff of telephone operators who will at any hour of the day or night take down messages to or from a subscriber and pass them on as and when required. The object is to avoid the inconvenience that might arise to telephone users through messages not reaching them because of unforeseen absence from business or home address.

The Conduct of a Municipal Audit.

A PAPER read at a joint meeting of the members of the East Anglian District Society of Incorporated Accountants and the East Anglian Section of the London Students' Society of the Institute of Municipal Treasurers and Accountants, by

Mr. F. S. SMITH,
INCORPORATED ACCOUNTANT.

The chair was occupied by Mr. H. P. GOWEN, J.P., F.S.A.A.

Mr. SMITH said: The paper this evening, as you all know, is entitled "The Conduct of a Municipal Audit." The first point for consideration is how the appointment of auditor to a municipal corporation is obtained. Some authorities have power under a local Act to appoint professional auditors to audit their accounts. In such a case the appointment would be made by the Council, and the duties and responsibilities of the auditor would be determined by the terms of his appointment. In the absence of such an Act, the auditors are appointed under sect. 25 of the Municipal Corporations Act, 1882, as in the case of the City of Norwich. Under this Act three auditors are appointed annually, two by the ratepayers—known as Elective Auditors—and one by the Lord Mayor—known as the Lord Mayor's Auditor. The only qualifications necessary to hold office under this Act are:—

1. An Elective Auditor must be qualified to be a Councillor, but may not be a member of the Council, the Town Clerk, nor the City Treasurer.
2. The Lord Mayor's Auditor must be a member of the Council.

So you will appreciate that persons may be appointed who are totally unqualified to act as auditors. Of course, in Norwich this is not the case, as we have three fully qualified accountants appointed.

The duties of the auditors under this Act are to audit the Treasurer's Accounts of Receipts and Payments in respect of the General Rate Fund, including Trading Departments of the Corporation, but excluding Education, Rates and Housing Assisted Scheme Accounts.

Well, now as to the conduct of the audit. I propose to deal with this from the point of view of auditors appointed under the Municipal Corporations Act. It is not possible for the auditor to check every item in detail, owing to the vast volume of transactions included in the accounts of a municipal authority. In this connection the receipts of Norwich Corporation amount to approximately £1,250,000 per annum, made up of many thousands of items, so you will appreciate that the audit must be in the nature of an exhaustive "test."

The auditor should obtain a full list of all books in use and ascertain the name of the person who is in charge of the accounts of each department. Full particulars of the system of internal audit in force must also be obtained. This is most important, as if the system is efficient it will save the auditor much detailed checking. Of course, the system of internal audit must be tested, particularly with regard to the check applied to moneys received and the ascertaining that they are paid into Bank the same day.

SOURCES OF INCOME.

The chief source of income of municipal corporations is from the rates. Now an auditor appointed under the Municipal Corporations Act is not concerned with the verification of the collection of rates, but he must be

satisfied that the proportion of the rates applicable to the General Rate Fund are paid into that fund. This will be carried out by transfer from the Rates Account. In addition to this source of revenue there are numerous others which the auditor must verify, and in this connection I will name some and suggest methods of verification :—

Receipts under control of the Watch Committee.—These will include :—

(*a*) Fees for licences issued in connection with sale of explosives. The counterfoils of the licences should be tested with the Register of Explosives, and the total of fees checked into the Watch Committee cash book.

(*b*) Fees for pedlars' licences issued may be similarly tested by reference to the Register of Pedlars.

(*c*) Special fees are paid to the police for attending football matches, fetes, &c. A register of these services is maintained and a fixed scale of charges enforced. These fees may be thus tested and checked to the Watch Committee cash book. Of course, the Register may be tested by reference to correspondence, &c.

(*d*) Fees received for hackney carriage licences will be tested in the same way as pedlars' licences.

(*e*) Fees paid to the police in respect of lost dogs, &c., can only be tested by reference to the carbon duplicates of the receipts issued to the payers of the fees.

(*f*) Similar remarks will apply to the fees received for testing the accuracy of weights and measures.

(*g*) The police ambulance may be hired out to private individuals. Here again the fees received can be tested by reference to the duplicates of receipts issued to the hirers.

Now, all the aforementioned fees will be entered in total in the W.C.C.B. and will be periodically remitted to the cashier of the corporation, who will issue a receipt for each remittance. These receipts should be checked with the cashier's departmental receipt book.

Markets Committee.—The fees under the control of this committee will include market rents and tolls, weighbridge tolls and car park fees, &c. All these items may be tested by reference to the carbon duplicates of the receipts issued at the time the moneys are received by the collectors. With regard to the rents, it should be seen that they are regularly received as they invariably cover definite periods. The whole of these fees should be regularly paid over to the cashier of the corporation, and it should be seen that they are properly recorded in his Departmental Receipt Book.

Parks and Gardens Committee.—The receipts of this committee will include the letting of tennis courts, football and hockey pitches, bowling greens and public swimming baths, &c. Where the lettings are by the hour or some other short period, tickets consecutively numbered will be issued to the hirers, and the receipts may be tested by reference to the number of tickets issued. With regard to seasonal lettings, some of the contracts of hire should be inspected, and it should be seen that the rents are properly recorded in the Rent Ledgers of the Committee. When the rents are paid the receipt of the money should be traced into the cashier's departmental receipt book. As a test against fraud in connection with the revenue of parks and gardens, I would suggest that the auditor should personally inspect some of the parks with a view of seeing exactly what is going on. In this way the auditor would know what revenue items from various parks should be credited in the accounts.

Other Sources.—As you all know, there are various other committees in addition to those I have mentioned, which control further items of income, such as Search Fees, Recoverable Private Street Works, Sale of Old Stores, Jobbing Works, Lodging Houses, Slaughterhouses, Conveniences, Fines and Fees, Mitigated Penalties, Sale of Infant Foods, Burial Board Fees, Allotments Rents, &c. These may be all verified in a similar manner.

In these days most corporations have a considerable income from rents of various properties and housing estates. The rents should be verified by reference to the tenancy ledgers, and the cash received checked to the cashier's general receipt book. The amount of rent charged for the various properties or blocks of houses may be tested by reference to the minutes of the Housing and City Committees. Of course, some rents may be fixed by other committees. The City Committee in Norwich controls chiefly the ancient estate. If no rents are received for any property for a considerable period, inquiry must be made as to the reason. Particular attention should be paid to arrears of rent which have been written off. Inquiry should be made as to who authorised the writing off, and reference should be made to the Town Clerk's department to ascertain that reasonable efforts have been made for obtaining recovery of the rent.

Part of the income of a corporation will be derived from outside investments, viz, Government stocks and loans to other municipal corporations. The verification of income from these sources is simple, as the interests are always receivable at fixed dates. Care should be taken to ascertain that all the interest has been received. This may be done by reference to the investment accounts in the ledger.

Corporations receive Government grants which are given in accordance with the provisions of various statutes. The auditor can assume that the claim for a grant will be checked by the Government Department before payment is made, but he should examine all papers and correspondence in connection with it for the purpose of ascertaining that the full grant has been credited in the corporation accounts.

AUDIT OF THE INCOME.

I will now make a few general remarks as to auditing income of a corporation :—

It is essential that the auditor should know what items of income should be expected to be found, as without this information items entirely omitted would escape detection. Local authorities publish their annual abstract of accounts in detail, and this should be studied together with those of similar authorities. A list of the items of income compiled therefrom will materially assist in the audit.

When preparing a programme of income audit, consideration must be given to the fact that income is collected in various ways, including turnstiles, automatic locks, tickets issued and official receipts, each with its own peculiar possibility for dishonest manipulation. In fact, the auditor must use plenty of common sense.

Stock and Mortgages.—Municipal corporations raise money for capital expenditure by mortgages or by the issue of stock. There are generally two methods of raising money by mortgage ; one is to borrow the exact amount of the sanction, the repayment coinciding with the term of the sanction ; the other is to borrow sums repayable at short notice. In the latter case the amounts borrowed are carried to a fund, out of which are allocated the amounts required for the different sanctions.

The following points should be observed in the audit of moneys borrowed on mortgage :—

(*a*) Examine the minutes of the Council as to resolutions authorising the borrowing.

(*b*) Check the Mortgage Register.

(*c*) See that the amounts in respect of each mortgage issued have been duly paid into the bank.

(*d*) Check the transfer of cash from the Mortgage Loans Fund to the respective cash accounts of each sanction.

(*e*) See that the proper contributions are made from the rate or trading funds in respect of annual charge for interest and repayment.

Now, with regard to a stock issue, it may be raised by a corporation acting by its own officials or by the agency of its banker or a financial house, and the audit will vary accordingly :—

Where bankers or financial houses act as agents, the council minutes as to terms of issue must be examined. These will set out in detail the name of the stock, the amount to be raised, the price of issue, the rate of interest, the date of repayment, brokerage to be allowed, and the agents' remuneration. The cash as received should be paid into the banking account of the corporation. When the issue is closed the agents will issue a statement showing the amount raised and the deductions for brokerage, remuneration and expenses of issue.

Where the corporation issues the stock the terms of issue will be set out in the minutes of the council. The auditor should check the applications, allotments, and the amounts returned to applicants, and of course see that all cash is paid into the bank.

Generally, where the loan is raised by agents of the corporation it is really essential that the amounts of moneys received by the agents should be paid direct to the credit of the corporation's banking account at the time of receipt, as it appears that should the agents default the corporation would be responsible to the lenders.

AUDIT OF THE EXPENDITURE.

I think I have completed a general outline of the items likely to be found on the debit side of the treasurer's account of receipts and payments, with the exception of trading undertakings, which I will deal with later. So now as to payments, or credit side.

The auditor must bear in mind that any expenditure, to be in accordance with law, must not only be within the statutory powers of the corporation, but must be authorised in accordance with law. In cases of doubt the auditor must satisfy himself by reference to the minutes of the council or of the committees, at the same time bearing in mind that a mere formal resolution of the council does not make illegal expenditure legal. The standing orders of the council should be examined, as these govern its procedure and generally contain provisions relating to the control of expenditure. Notes should be taken of financial provisions contained in local Acts, as these generally modify the general law applicable to local authorities.

I will now deal with the actual vouching of payments made by a municipal authority. It will be remembered that expenditure is controlled by the council through its various committees ; consequently all bills and claims against the corporation must be sorted under committee headings, and submitted to the appropriate committee, which will pass the bill or claim for payment.

It will be found that accounts thus passed for payment are entered under committee headings in a book which in Norwich is known as the Bills and Claims book. This book is periodically placed before the council, who finally pass the accounts for payment and sign an authorisation in the book instructing the city treasurer to honour cheques in payment of the accounts on the signature of the city accountant. Now I am sure you will all fully appreciate the importance of this book from the auditor's point of view. The auditor will check the vouchers for all payments to this book, being careful to see that the invoices are attached. The invoices should be initialled by an official of the department concerned as to the correctness of price, quantity, &c., and a statement or summary of the invoices should be certified by the chairman of the committee concerned. I believe the system of having a bound book known as the Bills and Claims book is peculiar to Norwich. Other authorities adopt the loose-leaf system for the purpose of obtaining the authorisation of the council for the cheques to be drawn. During the course of this vouching the auditor should make note of capital expenditure and trace it to the correct account. With regard to any properties purchased, the deeds should be inspected, and if any mortgage loans are paid off the cancelled mortgage deeds should be examined.

Wages will form a large item of expenditure each week. Usually a separate bank account is kept for this purpose, known as the Wages Imprest Account, and is fed by cheques drawn on the general bank account for the exact amount of the weekly wages. These cheques will pass through the Bills and Claims book.

The vouching of wages is most important.

The wages sheets will be prepared by each department of the corporation, and it should be seen that they have been properly checked and certified as correct by the chief official of the department. Inquiry should be made as to how they are compiled and what steps are taken to prevent fraud or manipulation in their preparation. The totals of the various wages sheets are summarised, and the grand total should agree with the amount of the cheque drawn for wages. I might add here that the amount drawn will be the gross wages payable, plus the corporation's share of the National Insurances. The amount of the National Insurance contributions, both employers' and employees', should be traced into the National Insurances Account, and it should be ascertained that the stamps have been duly purchased and affixed to the cards. Deductions from some of the employees will be made for superannuation contributions, and the total of these should be checked into the Superannuation Fund Account. The auditor can only test the wages sheets as to their arithmetical accuracy, the rates of pay and deductions. In this connection it is wise to check the National Insurance cards against the names on the wages sheets, and at the same time see that the cards are stamped up to date.

The vouching of loan and mortgage interest is a simple but rather laborious task. The returned warrants should be checked with the loan interest bank pass book and mortgage loan ledgers, seeing that the rate and amount of interest are correct and that income tax is deducted at the correct rate.

Now we come to the question of petty cash disbursements. It will be found there are a number of petty cash accounts, all of them on the imprest system. The auditor must vouch these with whatever receipts are available, and be careful to see that each item of expenditure is authorised by a senior official of the department concerned, as petty cash rather lends itself to petty pilfering. The cheques which are drawn periodically to replenish the floats should be checked from the Bills and Claims book.

I have dealt in a general way with the verification of receipts and payments of the General Rate Fund, but some of you may be wondering how they are traced into the General Rate Fund bank account. You will remember that the various items of income, &c., were paid to the cashier of the corporation, and he issued receipts for these remittances from his general and departmental receipt books. The daily totals of these books will be checked into the counter cash book, and, in turn, the daily totals of this book will be checked with the bank pass book.

Now with regard to the payments, you will recollect that all payments were passed through the Bills and Claims book. The totals of this book will be checked to another book, which is known as the Summary of Payments book. This Summary book is used for the purpose of classifying the items of expenditure under the various funds which are embodied in the General Rate Fund bank account. Each of these funds will be contained in separate cash books. These cash books will be checked with the totals appearing in the counter cash book and the summary of payments book. Now I think you will realise that the total of the balances on these cash books will agree with the balance as appearing in the General Rate Fund bank pass book. Of course, the auditor will obtain a verification from the bank as to the correctness of this balance.

I will now refer to the audit of a trading department, and take, as an example, the waterworks.

WATERWORKS DEPARTMENT ACCOUNTS.

The audit of these accounts will be carried out on the lines of an ordinary commercial audit. Both assets and liabilities will be dealt with in addition to receipts and payments, although there appears to be no statutory authority requiring an auditor appointed under the Municipal Corporations Act to audit assets and liabilities. It must not be expected that every item will be checked in detail, but an exhaustive test will be made. Before commencing the audit a full list of books should be obtained, and the system of internal audit (if any) must be investigated.

I will now make suggestions as to the audit of the credit or income side of the Revenue Account, the chief item being water rates and supplies. It will be found that the area which the undertaking supplies with water will be divided into several districts, and a water rate ledger will be kept for each district. These ledgers are ruled in columnar form, so as to record the transactions for each quarter of the year. The headings in the ledger for each quarter will be :—

(1) Arrears brought forward from previous quarter.
(2) Water rate charged for the quarter.
(3) Cash received during the quarter.
(4) Allowances, empties and bad debts.
(5) Arrears carried forward to next quarter.

The first point for consideration is how the charge for water rate is made. This is based on the gross rateable value of the property supplied, so for the purpose of verifying this the auditor must refer to the Rating and Valuation List and test a few sections of the ledgers, seeing that the rates are based on 6 per cent. of the gross rateable value of the property. In addition, there may be extra charges, as, for instance, the use of a garden hose. Another very useful test is to check a section of the street directory against the properties appearing in the ledger, so as to ascertain that all properties are rated. The cash column in the ledgers will be tested with the collectors' receipt books.

Now we come to the Allowances and Empties columns. The auditor should give special attention to these, as should there be a leakage of cash the offender will invariably endeavour to cover the defalcations by entries under these headings. The auditor must make careful inquiries as to who authorises these entries, and ascertain what internal check is applied to make sure that the properties concerned were actually unoccupied. With regard to allowances, care must be taken to ascertain the reason for the allowance and that it has been authorised by a responsible official.

The question of arrears is important. The total at the end of the quarter should be compared with that at the beginning, and should there be any material difference the reason must be ascertained. Care should be taken to see that arrears are not written off as bad debts until they are proved to be irrecoverable.

The arithmetical accuracy of the rate ledgers will be tested and the totals of the various columns checked to a summary. This summary is journalised, and the postings will be checked into the general ledger.

With regard to factories, the charge made for the supply of water is based on actual consumption, which is recorded by means of a meter. In these cases the auditor will test the meter readers' books with the meter journals to see that the consumption is correctly recorded and the charge to the consumer properly extended. The postings from these journals will be tested with the meter ledger, and this ledger will be audited in the same manner as the water rate ledgers.

The charge for the supply of water for building purposes is based on a percentage of the amount of the contract. These charges, as recorded in the building water books, can only be verified by reference to correspondence.

It will be found that the waterworks department will carry out a considerable amount of plumbing repair work. As a test to ascertain that these jobs are properly recorded and charged to the customers, the auditor should refer to the stores issued requisitions and the workmen's time sheets.

There may be other small items of income, such as rents, &c. These will be verified as explained earlier in the lecture.

Now with regard to the cash received, the totals of the collectors' and office receipt books should be checked with the general cash book, and care must be taken to ascertain the gross receipts are paid into the bank daily. Should any of these moneys be retained longer than overnight, the matter should immediately be reported to the senior official in charge of the accounts of the department, as often where money is thus retained by a cashier it is used as a means of covering fraud.

With regard to the debit or expenditure side of the revenue account, the expenditure will be vouched on the same lines as the payments were in connection with the general rate fund, but of course the unpaid bills or liabilities at the date of the closing of the accounts must be taken into consideration. These liabilities will be verified by reference to creditors' statements, which are rendered to the department.

As a guard against liabilities being withheld from the auditor and not recorded in the books of account, he should refer to the goods ordered book and the goods received book, and also refer to receipts for payments made after the date of closing the accounts. The tendency of some municipal trading departments is to dispense with the bought or liabilities ledger, a book which is practically universally used in the commercial world. This makes the auditor's task of ascertaining

that all liabilities are included in the accounts far more difficult. I suppose the argument used in support of dispensing with the bought ledger is that municipal trading concerns always have adequate funds available for paying the whole of their liabilities at fixed dates, so the bought ledger is not necessary, but I hope we shall hear more about this matter in the discussion, which is to follow this paper. Of course, all payments made are recorded in the cash book, and these items will be checked to the general or private ledger.

The receipts and payments in the cash book should be checked with the bank pass book, and the balance as shown by the cash book reconciled with the balance as appearing in the bank pass book, taking into consideration any outstanding cheques. A certificate as to the amount of the bank balance should be obtained from the bankers.

The question of capital expenditure is an important item. With regard to the vouching of this, the auditor is somewhat in the hands of the officials of the department. Invariably materials used will be withdrawn from the ordinary stores of the department, and the labour supplied by the regular workmen. A detailed account of such expenditure should be requested, and a certificate obtained from the chief engineer of the department certifying that the expenditure was in respect of capital outlay. The auditor should refer to the minutes of the committee to ascertain that the expenditure was authorised. Of course, part of the work in respect of capital outlay will be executed by outside firms, and this will be vouched by reference to contracts, architects' certificates, &c.

Now in the audit of a trading department the question of stock on hand requires careful consideration. It was established and upheld by the Court of Appeal in the *Kingston Cotton Mill* case that an auditor is not a valuer; that it is not his business to take stock; that in the absence of suspicious circumstances he is entitled to rely upon the representation of responsible officials, and that he is not guilty of negligence if he accepts the certificate of such persons as to the value of the stock. The auditor, however, should not confine himself to seeing that the stock is duly certified, but should, in addition, satisfy himself by testing the stock book. This will be carried out by checking some of the casts and extensions. The quantity of stock will be tested with the stock ledger, and the prices tested with invoices.

There may be other trading departments of a municipal authority, the audit of which would be carried out on similar lines.

I have endeavoured to give you a general outline of the conduct of a municipal audit, and if I have omitted any important points I trust they will be raised in the discussion.

Changes and Removals.

Messrs. J. E. Denney, Bogle & Co., Chartered Accountants, announce that Mr. H. R. Michael, F.C.A., F.S.A.A., has retired from the firm. The practice will be continued by the remaining partners, Mr. H. E. Johnson, F.S.A.A., and Mr. E. O. Toft, A.C.A., A.S.A.A., at Finsbury Pavement House, 120, Moorgate, London, E.C.2, under the same style as heretofore.

Messrs. Harber, Sturges & Fraser announce that they have admitted into partnership Mr. R. Hugo Cave, M.A., and Mr. R. D. Fraser. The practice will be continued under the style of Sturges, Fraser, Cave & Co., Chartered Accountants, at Guildhall Chambers, 31-34, Basinghall Street, London, E.C.2.

Mr. Alfred Mart, Incorporated Accountant, announces a change of address to 844, Salisbury House, Finsbury Circus, London, E.C.2.

Mr. H. R. van der Poel, Incorporated Accountant, a partner in the firm of Pierre F. Théron & Co. announces a change of the firm's address to 28, Wall Street, Cape Town, South Africa.

Mr. Arthur B. Watts, Incorporated Accountant, announces that he has removed his office to 14, St. Andrews Crescent, Cardiff.

Mr. R. Slater Windle has taken into partnership Mr. N. R. Bowker. The practice will be carried on under the name of Windle & Bowker, Incorporated Accountants, at Midland Bank Chambers, Barnoldswick, via Colne.

Messrs. Woolley & Waldron, Incorporated Accountants, 8 and 10, Portland Terrace, Southampton, announce that they have taken into partnership Mr. R. A. Etheridge, A.S.A.A. The title of the firm will remain unchanged.

Messrs. W. G. Stephens & Co., Incorporated Accountants, have removed their offices to Walter House, 418-422, Strand, London, W.C.2.

Mr. F. G. B. Owles announces that he is now practising at 5, Nelson Street, Southend-on-Sea, under the style of F. G. B. Owles & Co., Incorporated Accountants.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Scottish Council.

A meeting of the Council of the Scottish Branch was held in Glasgow on the 20th ult. There were present: Mr. J. Stewart Seggie (President of the Branch), in the chair; Mr. Archibald Macintyre, J.P., Hamilton; Dr. John Bell, Mr. E. Hall Wight, Mr. W. Davidson Hall, Mr. and P. G. S. Ritchie, Glasgow; Mr. D. R. Matheson, M.A., LL.B., Edinburgh; Mr. W. L. Pattullo, Dundee; Mr. J. T. Morrison, Coatbridge; Mr. W. J. Wood, Perth; and Mr. James Paterson, Secretary.

Apologies for absence were intimated from Mr. D. Hill Jack, J.P., Mr. Robert T. Dunlop, Mr. Walter MacGregor, Mr. J. Cradock Walker, Mr. Wm. Houston, and Mr. Alexander Davidson.

A number of applications were submitted and referred to London Council. Various matters connected with the profession and the Society's interests in Scotland were considered and variously dealt with.

Death of Mr. C. M. Vance and Mr. P. C. McAuslan.

It is with great regret we have to report the death of two of the younger Associate members of the Scottish Branch, within one week of each other. Mr. Christopher M. Vance, who was only 31 years of age, died from complications following influenza on January 10th. He was admitted an Associate in 1929, and for some time before that time had been an active member of the Glasgow Students' Society, and up till 1931 was the Honorary Secretary. He was a most active and energetic official, was Honorary Secretary of the Incorporated Accountants' Golf Club, and of the Chess Club, and in these as well as in professional circles he will be very much missed.

Mr. Peter Campbell McAuslan died on January 18th, in his thirty-eighth year, from chest trouble, from which he had suffered since the War. He was admitted an Asso-

ciate in 1926, and was at the time of his death a partner in the firm of Messrs. E. A. Bell & Co., Ayr. Mr. McAuslan took considerable interest in the Glasgow Students' Society. On several occasions he read papers and took part in the discussions of that Society. He also took part in several of the golf competitions, and he will be much missed in these connections. Mr. McAuslan was married, and leaves a widow.

Institute of Public Administration.

An interesting address was given on the 12th ult. by Mr. J. Stewart Seggie, F.S.A.A., President of the Scottish Branch, to the Edinburgh and East of Scotland Regional Group of the Institute of Public Administration. Sir Andrew Grierson, Town Clerk of Edinburgh, presided. Mr. Seggie's subject was: "National Community of Interests in Local Government."

Mr. Seggie, who was secretary of the Lovat Committee on Local Expenditure in Scotland, referring to the report of that Committee, said it was a wonder to him, considering the diverse interests, that unanimity was secured, and it had given rise to the thought that if unanimity could be secured in a Committee of that nature on one distinctive objective, why not apply the principle of the constitution of the Committee to all local affairs in Scotland?

Mr. Seggie visualised a Consultative Council on Local Expenditure in Scotland. With regard to finance, Mr. Seggie pointed out that each local authority was working on its own, so far as securing loans for capital purposes. They had one burgh borrowing at 4 per cent., and another as low as 2½ per cent., and yet they were all working in the national interests, and they were all working for the ratepayers. If such a Council as he had visualised were in existence they might recommend some scheme whereby borrowing for Scottish local authorities might be done through a central pool.

By all means, he went on, let them leave the local authorities to manage their individual local affairs, but where capital expenditure required to be expended on what they might term *quasi* national purposes, the costs in one area in respect of borrowed money should not be different from the costs in another, and, logically, that cost should not affect the pocket of a ratepayer in Area "A" more than in Area "B."

Mr. Seggie dealt with the suggestion of a Central Local Authority Department to deal with revenue-producing undertakings.

A discussion followed, in which Mr. J. D. Imrie, M.A., F.S.A.A., City Chamberlain, took a prominent part.

Scottish Joint Stock Banks.

Statistics of the Scottish banks for 1932, compiled from the actual balance sheets of the banks published in 1932, appeared in the *Scottish Bankers' Magazine* for January. These disclose a strong position and a substantial expansion in resources. The total liabilities to the public, and to the proprietors, of almost £321 millions, show an increase of over £8½ millions during the year. No additions to capital or reserves are reported, and proprietors' funds remain practically unchanged. Deposits £260¼ millions, are higher by £9¼ millions, while notes show a slight expansion. As regards assets, cash and securities at £178 millions, are higher by £15¾ millions, while banking advances at £138 millions are lower by £7 millions, an indication of the depressed state of trade in the North.

Bootlegging Profits.

The First Division of the Court of Session recently advised a case stated by the Commissioners of Inland Revenue for the opinion of Court in which three persons appealed against an additional assessment made upon them jointly under Schedule D by the Additional Commissioners for the Division of Perth. The assessment was for the year ended April 5th, 1923, on £75,000. In 1922 the three parties, acting together, agreed to join in an adventure to ship a large quantity of whisky to the United States, and sell there contrary to the laws of that country. The shipping of the whisky was arranged by one of the parties from Perth and was carried out over a period of two years. About the end of 1923 the Customs authorities became more rigorous in enforcing the conditions attaching to bonds under which spirits were exported, and the adventurers changed their investments to a wine business in Portugal, which was ultimately sold at a loss.

The appellants contended, *inter alia*, that in its inception and execution the transaction sought to be assessed was fundamentally illegal, and that the proceeds arising from it were not assessable to income tax.

The Commissioners upheld the assessment in principle, subject to the adjustment of figures, which were afterwards agreed at £36,108.

The question of law for the opinion of the Court was whether the appellants were jointly assessable to income tax in respect of the profits in question.

The Division affirmed the decision of the Commissioners, answering the question in the affirmative.

Notes on Legal Cases.

COMPANY LAW.

In re William C. Leitch Brothers, Limited.

Liability of Directors for Debts of Company.

In the winding up of a company, moneys recovered and to be recovered by the liquidator from a director who has previously been declared, under sect. 275 of the Companies Act, 1929, personally liable as having been knowingly a party to the carrying on of the business of the company with intent to defraud its creditors, are to be treated as general assets available for all the creditors of the company, as the section does not create any preferential right to such moneys in favour of creditors who have been defrauded.

(Ch.; (1932) 49 T.L.R., 74.)

MISCELLANEOUS.

Lloyds Bank Limited v. E. B. Savory & Co.

Stolen Crossed Bearer Cheques.

Crossed bearer cheques were stolen by employees and were paid by them into a branch bank to the credit of accounts at another branch. The receiving branch sent the cheques direct to the Clearing House, and had not given the customer's branch information as to the drawer or the payee.

It was held by the House of Lords, affirming the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, June, 1932, p. 352), that the bank had not discharged the burden of proving that they had dealt with the cheques without negligence.

(H.L.; (1932) 49 T.L.R., 116.)

REVENUE.

Adamson v. Attorney-General.

Property Passing on Death.

By a settlement for the benefit of children the capital and income of the trust fund was to be divided as the settlor should in writing direct during his life, or after his death in trust for his children then living as he should appoint, and in default the fund was to be held in certain specific proportions.

The House of Lords affirmed the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, September, 1932, p. 468), and held that notwithstanding that the settlor had made no direction or appointment, the fund was property passing on his death under sect. 1 of the Finance Act, 1894.

(H.L.; (1933) L.J.N., 28.)